

ORGANISATIONAL CULTURE
and the psychological contract

a review of the literature

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This review examines the concept of organisational culture from a variety of perspectives. Beginning with the problems of defining culture and the various ways in which it has been studied and analysed, the review goes on to examine the associations between culture and organisational outcomes, and discusses the possibility of changing culture to further organisational objectives. Individual relationships with culture, in the form of the psychological contract, are also addressed.

Introduction

The term "culture", as applied to human societies or groups, has its origins in the discipline of anthropology (Smircich, 1983; Sackman, 1991; Hofstede, 1991), and "the notion of an *organizational* culture appeared with force in the management literature some two decades ago, the beneficiary of this anthropological endowment" (Depres, 1995). Hofstede (1991) uses the synonym *corporate* culture which, he says, "gained popularity after a book carrying this title, by Terrence Deal and Allan Kennedy, appeared in the USA in 1982". What exactly is meant by these terms is subject to some uncertainty. Smircich (1983) claims that "the culture concept has been borrowed from anthropology, where there is no consensus on its meaning", which makes it unsurprising that, as Schein, and Baron and Walters, complain: "Unfortunately, most of the writers on organizational culture use different definitions, different methods of determining what they mean by culture, and different standards for evaluating how culture affects organizations" (Schein, 1985). "Even the culture theorists cannot agree on the nature of corporate culture and a brief glance at the literature reveals that there appear to be as many definitions of culture as there are writers on the subject" (Baron and Walters, 1994).

Sackman (1991) suggests that the subjectivity of various writers may have a bearing on this lack of consensus: "Conceptions of culture in the organizational and management literature draw quite selectively from various anthropological and sociological sources. This selection tends to be based on the author's particular interest and approach."

Meek (1988) agrees that culture studies derive their framework of reference mainly from anthropology, and suggests that there is a danger in borrowing concepts from one discipline to apply to another; incomplete understanding or inappropriate application can lead to misleading conclusions. All of which suggests that the subject of organisational/corporate culture [from this point onwards abbreviated simply to *culture*] should be approached with some caution. A selection of

definitions reveals some underlying commonality, whilst tending to reinforce Sackman's view that different writers tend to emphasise different aspects of the wider concept. A recurring phrase is "the way we do things around here" (Kilman et al, 1985; Sackman, 1991; Schneider, 1994; Baron and Walters, 1994; Guest et al, 1996), with the implication that "the way we do things" is somehow different to the way someone else might do them. This notion of distinctiveness is fundamental to most concepts of culture. Thus Harrison (1972) describes culture as: "that distinctive constellation of beliefs, values, work styles and relationships that distinguishes one organisation from another - in other words, the sum of those aspects of an organisation which give it a particular climate or feel."

Cleland (1994) takes up this theme of distinctiveness: "An organizational culture is the environment of beliefs, customs, knowledge, practices, and conventionalized behavior of a particular social group. Every organization, every corporation has its distinct character. People make organizations work, and the culture of the corporation ties the people together, giving them meaning and a set of principles and standards to live and work by".

Baron and Walters (1994) arrived at a "working definition of culture ... commonly held and relatively stable beliefs, attitudes and values that exist within an organisation", which was used in an Institute of Personnel Management [IPM] research project. The advantage they see in this definition is that it "describes culture as something which can be subjected to empirical investigation, with the emphasis very much on *think* rather than *do*."

Morgan (1986), however, is uncomfortable with this approach: "Culture is often viewed as a set of distinct variables, such as beliefs, stories, norms, and rituals, that somehow form a cultural whole. Such a view is unduly mechanistic, giving rise to the idea that culture can be manipulated in an instrumental way. ... from the inside, culture seems more holographic than mechanistic."

Schein, too, advises caution in the interpretation of "behavioural regularities" as indicators of underlying culture: "I believe that overt behavior is always determined both by the cultural predisposition [the assumptions, perceptions, thoughts, and feelings that are patterned] and by the situational contingencies that arise from the external environment. Behavioral regularities could thus be as much a reflection of the environment as of the culture and should, therefore, not be a prime basis for *defining* the culture. Or, to put it another way, when we observe behavior regularities, we do not know whether we are dealing with a cultural artefact or not" (Schein, 1985).

The term "climate" has been used (for example, by Harrison, 1972; Schein, 1985; Manning, 1990 and Hofstede, 1991) almost interchangeably with culture, but with connotations of "feel". Schneider, Gunnarson and Niles-Jolly (1994) make a clearer distinction between the two terms:

"Employees observe what happens to them [and around them] and then draw conclusions about their organization's priorities. They then set their own priorities accordingly. Thus, these perceptions provide employees with *direction* and *orientation* about where they should focus their energies and competencies. This, in turn, becomes a major factor in creating a climate. ... Culture, on the other hand, refers to the broader pattern of an organization's mores, values, and beliefs. Again, the actions of senior managers strongly influence culture. By observing and interpreting these actions, employees are able to explain *why* things are the way they are, and *why* the organization focuses on certain priorities. Culture, then, stems from employees' interpretations of the assumptions, values, and philosophies that produce the climates they experience. ... Employees automatically make these attributions about what management values. The challenge for management is to act in ways that will lead employees to the kinds of attributions that result in commitment to management's most important values."

Schein (1985) notes a number of common meanings attributed to the word culture, such as "observed behavioral regularities ... the norms that evolve in working groups ... the dominant values espoused by an organization ... the philosophy that guides an organization's policy toward employees and/or customers ... the rules of the game for getting on in an organization ... the feeling or climate" but argues that "these meanings, and many others, *reflect* the organization's culture, but none of them *is* the essence of culture." He believes that the term should be reserved for the deeper level of "*basic assumptions and beliefs* that are shared by members of an organization, which are

learned responses to a group's problems of *survival* in its external environment and its problems of *internal integration*".

For Schein, a key attribute of this "pattern of basic assumptions" is that they are "likely to be taken for granted and to have dropped out of awareness" - to be "unconscious unless called to the surface by some process of inquiry." Schein also refers to culture as an "unwritten set of expectations operating at all times between every member of an organization and the various managers and others in that organization." These mutual expectations will be explored later in this chapter within the concept of the psychological contract.

The basic premise of the culture concept, that psychological processes or attributes are shared by members of a group, is also apparent in the definitions advanced by other writers: "the underlying values, beliefs, and principles that serve as a foundation for an organization's management system as well as the set of management practices and behaviors that both exemplify and reinforce those basic principles" (Denison, 1990). "The synergistic set of shared ideas and beliefs that is associated with a way of life in an organization" (Cleland, 1994). "Shared explicit and implicit agreements among organizational members as to what is important in behavior, as well as attitudes expressed in values, beliefs, standards, and social and management practices" (Cleland, 1994). "A pattern of shared beliefs and values that give the members of an institution meaning and provide them with rules for behaviour in their organisation" (Baron and Walters, 1994).

Meek (1988), too, implies a strong element of sharing in his perspective on culture: "It is imperative that we understand the beliefs, symbols, myths, ideologies and folklores - the 'culture' - of the modern organization as a form of social control. It is not a form of social control created and manipulated by management, but a process in which management, workers and the community at large participate alike".

How strongly this sharing attribute operates to influence the behaviours of an organisation's members is a key issue in the understanding of culture: "Culture can be defined as the shared philosophies, ideologies, values, assumptions, beliefs, expectations, attitudes, and norms that knit a community together. All of these interrelated psychological qualities reveal a group's agreement, implicit or explicit, on how to approach decisions and problems: 'the way things are done around here'. A key issue in discussions of corporate

culture, however, is just how deep-seated these shared qualities are. The degree to which culture is consciously and overtly rather than unconsciously and covertly manifest has much to do with how easily the culture can be studied and, ultimately, managed" (Kilman et al, 1985).

"The strength of a culture depends on three things; first, the pervasiveness of the norms and behaviours in the explicit culture, and the pervasiveness of the values and beliefs in the implicit culture - *ie* the proportion of the members of the social group that firmly hold to the norms and beliefs. Secondly, cultural strength depends on the pervasiveness of the beliefs and behaviours themselves - *ie* the range of behaviours and the range of beliefs and values which the culture sets out to control. ... the third feature of a strong culture [is] consonance between the explicit and the implicit culture" (Payne, 1991).

Sathe (1985) believes that the strength of the sharing attribute in any culture can be inferred from observation: "One clue to the extent of sharing is how extensive the cultural manifestations are from which the inferences are made - what is the *proportion* of people in the organization who demonstrate that they share the same physical attributes, slogans, practices, and feelings? In general, a high proportion indicates that beliefs and values are widely shared."

Hofstede (1991) provides an especially vivid analogy, describing culture [not specifically, but including, organisational culture in this case] as "software of the mind". He goes on: "'organizational culture' can be defined as *the collective programming of the mind which distinguishes the members of one organization from another.*"

Hofstede's research was into the national differences detectable between managers doing similar jobs in multinational corporations in various countries. He is concerned that

"using the word 'culture' for both nations and organization suggests that the two kinds of culture are identical phenomena. This is incorrect: a nation is not an organization, and the two types of 'culture' are of a different nature." "Organizational 'cultures' are a phenomenon *per se*, different in many respects from national cultures. An organization is a social system of a different nature than a nation; if only because the organization's members usually had a certain influence in their decision to join it, are only involved in it during working hours, and may one day leave it again."

Nevertheless, the wider culture to which employees belong inevitably has an impact on organisational culture. "Managers do not perform their duties in a

vacuum. Their work and the way it is done are governed, directed and tempered by a set of values, beliefs, customs and systems which they - or those above them - create and sustain. Organisations ... are societies in miniature. Therefore ... they can be expected to show evidence of their own cultural characteristics" (Burnes, 1992).

Hampden-Turner (1990) makes the distinction, and the association, plain: "It is important to distinguish between the culture inside the organisation and the broader culture of the nation, economic group or geographical region. We shall call the first *corporate cultures* and the second *macro-cultures*. To investigate corporate cultures, we need to look at how people in an organisation behave; what assumptions govern their behaviour; and what bonds or glue hold the corporation together. ... But we cannot ignore the macro-culture because ... corporate cultures act out themes and patterns of the wider culture. Corporate cultures are specific episodes of more general national and regional patterns."

It can be seen, therefore, that although there are widely-differing definitions of the term, culture is commonly seen to have some essential characteristics. These include shared values, attitudes and beliefs within the group [in this context the term *group* does not imply any limits on the number of people having membership of the group]; distinctive customs and practices; shared assumptions; mutually understood and accepted norms; and certain mutual expectations. These may be implicit rather than explicit, and may operate below the level of conscious awareness of the members of the group.

There is, however, an unresolved but fundamental difference of orientation towards culture discernible in the literature, which may be summed up in the question of whether culture is something an organisation *has*, or if it describes what an organisation *is* (see, for example, Hofstede, 1991 or Baron and Walters, 1994). This issue has profound implications for managers who wish to change their organisations' cultures, as well as for researchers seeking to develop deeper understanding of human interactions in the work environment.

The study of culture

Morgan (1986) describes organisations as "the enactment of a shared reality" and argues that "we must root our understanding of organization in the processes that produce systems of shared

meaning". Schein (1985) similarly maintains that "My own experience, and many of the recent writings in the field of organization theory, strategy, and organization development all suggest that an examination of cultural issues at the organizational level is absolutely essential to a basic understanding of what goes on in organizations, how to run them, and how to improve them."

In view of the "enormous implications for how we understand organizations as cultural phenomena" (Morgan, 1986) of this perspective, it is surprising that, as Sackman (1991) maintains, "a critical review of the literature reveals ... that empirically based knowledge about culture in organizational settings is rather scarce and spotty." Willmott (1993), too, complains that "considering the volume and influence of books and articles that celebrate corporate culturism in its various guises, there is a remarkable dearth of serious, critical analysis of this phenomenon." Hollway (1991) suggests that a one-sided view of the issues may be responsible for this rather unsatisfactory situation: "One of the defining features of organizational culture seems to be the lack of theory informing its approaches. As I have already argued in several contexts, this is not surprising, since it is a product of an area which is defined by managerial problems. ... what purports to be a neutral body of knowledge and practice has been produced principally at the behest of management".

Thompson and McHugh (1990) also point to the lack of evidence in organisational culture research and "the lack of rigour in research methodology [which] has been a persistent theme of critics". They claim that this research relies heavily on anecdotal accounts from "leaders". Denison (1990) detects a further source of distortion, in that "only 'exemplary' organizations were included in most of the studies. ... None of these authors studied firms that failed or did poorly, and none used a framework that contrasted failures and successes. Presumably, if a 'theory' is correct, the factors that contribute to success should also serve to separate successful and unsuccessful firms."

In examining the existing studies, then, a level of scepticism is appropriate. If research is largely "sponsored" by one stakeholder group, if the evidence is heavily anecdotal, and if the subject organisations tend to be successful rather than unsuccessful ones, what is learned may be inaccurate or misleading.

"Studies of organizational cultures can be divided into those based on soft, qualitative information versus those seeking hard, quantitative data. ... Qualitative data usually means case studies: many

organizational culture studies are about one single case. With all their appeal such studies inevitably raise questions as to reliability ... and generalization ... Hard, quantitative studies of organizational cultures are few and far between and not necessarily very convincing." (Hofstede, 1991).

Hofstede warns, however, that "hard data risks losing the essence of culture and becoming mechanistic". Morgan (1986) provides an interesting and apposite warning for the researcher, whose own interests inevitably have an influence on what is observed and the significance attached to it:

"When anthropologist Franz Boas entertained a Kwakiutl Indian from the Pacific Northwest in New York City earlier in this century, the Indian reserved most of his intellectual curiosity for the brass balls on hotel banisters and the bearded ladies then exhibited in Times Square. His attention was caught by the bizarre rather than the fundamental aspects of the culture he was visiting. His experience contains a valuable caution for those interested in understanding organizational culture, for in this sphere too attention may be captured by the hoopla and ritual that decorate the surface of organizational life, rather than by the more fundamental structures that sustain these visible aspects."

However, a number of researchers have attempted to provide models which clarify the structure or composition of culture, or draw particular attention to certain aspects. Deal and Kennedy (1982) whose seminal book may be said to have brought corporate culture to the attention of managers for the first time, claim that "surprisingly much can be learned in a limited time about a company's culture." They advise an number of simple steps:

"Study the physical setting ... [managers] try to create a setting that makes a statement to the world about their company ... Read what the company says about its culture ... Test how the company greets strangers ... Interview company people - ask about company history, why it is a success, what kind of people work here, what kind of place it is to work in ... Observe how people spend their time ... Understand career path progression ... How long do people stay in jobs? ... Look at the content of what is being discussed or written about."

Deal and Kennedy's book is subtitled "The Rites and Rituals of Corporate Life". There is a implication running throughout the book that these observable manifestations are, if not the actual substance of culture, then at least both the product and to some extent the source of it: "Rites and rituals ... are the systematic and programmed routines of day-to-day life in the company. In their mundane manifestations - which we call rituals - they show employees the kind of behavior that is

expected of them. In their extravaganzas - which we call ceremonies - they provide visible and potent examples of what the company stands for" (Deal and Kennedy, 1982).

Deal and Kennedy include play, which they say is the "creative side of corporate life", among rites and rituals. "Despite the fact that it has no real purpose and no rules, play in its various forms [jokes, teasing, brainstorming, and strategizing] bonds people together, reduces conflict, and creates new visions and cultural values. By encouraging experimentation, it can help regenerate the culture."

Even the usually sceptical Morgan (1986) refers to the symbolic or "magical" significance of "numerous organizational structures and practices [which] embody patterns of subjective meaning that are crucial for understanding how organization functions day to day". Morgan, however, is cautious about deriving clear conclusions from such observations:

"When we observe a culture, whether in an organization or in society at large, we are observing an evolved form of social practice that has been influenced by many complex interactions between

people, events, situations, actions, and general circumstance. Culture is always evolving. Though at any time it can be seen as having a discernible pattern, e.g., reflecting an ethos of competition or cooperation, dominance or equality, seriousness or playfulness, this pattern is an abstraction imposed on the culture from the outside. It is a pattern that helps the observer to make sense of what is happening in the culture by summarizing the sweep of history in retrospect, but it is not synonymous with experience in the culture itself. Our understanding of culture is usually much more fragmented and superficial than the reality."

There are also, as Schneider (1994) points out, risks in generalising conclusions drawn from observation of the, by definition idiosyncratic, practices of a single organisation.

Trice and Beyer (1985) point out that rites are very public and would probably not survive in an organisation if they did not reflect the "ideologies and values of top management". Trice and Beyer have identified six types of organisational rites. They provide examples and suggest possible consequences of each:

<i>Types of Rites</i>	<i>Example</i>	<i>Manifest, Expressive Social Consequences</i>	<i>Examples of possible Latent Expressive Consequences</i>
Rites of passage	Induction and basic training. U.S. Army	Facilitate transition of people into social roles and statuses that are new for them.	Minimize changes in ways people carry out social roles. Reestablish equilibrium in ongoing social relations.
Rites of degradation	Firing and replacing top executive	Dissolve social identities and their attendant power.	Provide public acknowledgement that problems exist and what their details are. Defend group boundaries by redefining who belongs and who does not. Reaffirm social importance and value of role involved.
Rites of enhancement	Mary Kay cosmetics seminars	Enhance social identities and their attendant power.	Spread good news about the organization. Provide public recognition of individuals for their accomplishments and motivate others to similar efforts. Enable the organization to take some credit for individual accomplishments. Emphasize social value of performance of social roles.
Rites of renewal	Organizational development activities	Refurbish social structures and improve the ways they function	Reassure members that something is being done about problems. Disguise nature of the problems. Defer acknowledgement of problems. Focus attention on some problems and away from others. Legitimate and reinforce existing systems of power and authority.
Rites of conflict reduction	Collective bargaining	Reduce conflict and aggression.	Deflect attention from solving problems. Compartmentalize conflict and its disruptive effects. Reestablish equilibrium in disturbed social relations.
Rites of integration	Office Christmas party	Encourage and revive shared feelings that bind people together and keep them committed to a social system.	Permit venting of emotion and temporary loosening of various norms. Reassert and reaffirm, by contrast, moral rightness of usual norms.

Organisational Rites (Trice and Beyer, 1985)

Various writers have sought to categorise types and "levels" of culture. Some examples of these are examined below. First, though, it is helpful to recognise the perspectives of the researchers as a factor in the construction of their models. Meyerson and Martin (1987) describe three paradigms which emphasise different aspects of the subject.

"Culture is often defined as that which is shared by and/or unique to a given organization or group ... Culture, according to this definition, is an integrating mechanism ..., the social or normative glue that holds together a potentially diverse group of organization members. Given this definition of culture, paradigm 1 researchers use 'shared' as a codebreaker for identifying relevant manifestations of culture, seeking, for example, a common language, shared values, or an agreed-upon set of appropriate behaviours."

"According to paradigm 2, organizations are not simply a single, monolithic, dominant culture. Instead, a culture is composed of a collection of values and manifestations, some of which may be contradictory. For example, espoused values may be

inconsistent with actual practices. ... In part because of this stress on inconsistency, paradigm 2 portrayals of culture often emphasize disagreement rather than consensus. Complex organizations reflect broader societal cultures and contain elements of occupational, class, racial, ethnic, and gender-based identifications ... These sources of diversity often create overlapping, nested subcultures. ... Paradigm 2 emphasizes multiple, rather than leader-generated, sources of cultural content."

Meyerson and Martin's Paradigm 3 accepts ambiguity:

"complexity and lack of clarity could be legitimated and even made the focus of attention ... irreconcilable interpretations are simultaneously entertained; paradoxes are embraced. A culture viewed from a paradigm 3 vantage point would have no shared, integrated set of values, save one; an awareness of ambiguity itself. ... In paradigm 3, cultural manifestations are not clearly consistent or inconsistent with each other. Instead, the relationships among manifestations are characterized by a lack of clarity from ignorance or complexity. ...

A paradigm 3 portrayal of culture cannot be characterized as generally harmonious or full of conflict. Instead, individuals share some viewpoints, disagree about some, and are ignorant of or indifferent to others."

Sackman (1991) discerns "three broad perspectives of culture ... in the managerial literature". The first is "a holistic perspective" within which

"culture is defined as patterned ways of thinking, feeling, and reacting that are acquired and transmitted mainly by symbols. They constitute the distinctive achievements of human groups, including their embodiment in artefacts. Culture has a core that consists of traditional - that is, historically derived - and selected ideas and their attached values. The resulting cultural system is, on the one hand, to be considered a product of action and, on the other, conditioning elements of further action."

Sackman points out that it is difficult to research from this perspective - it requires long-term study with multiple data sources. The second perspective is "a variable perspective" which "focuses on expressions of culture. These expressions may take the form of verbal and physical behaviors or practices, of artefacts, and of their underlying meanings. ... Culture is defined as 'the way we do things here' Of major interest are collective activities such as rites, rituals, and ceremonies as well as collective verbal behaviors such as language in general and, more specifically, speeches, jargon, stories, legends, myths, or humor." From this perspective "the process of 'deciphering' cultural manifestations is ... difficult and involves some guesswork." Researchers' own cultural biases affect judgement.

The third perspective is a cognitive one which

"focuses on ideas, concepts, blueprints, beliefs, values, or norms that are seen as the core of the complex and multifaceted phenomenon called 'culture'. ... Some authors refer to a set of shared understandings or meanings, to a system of publicly and collectively accepted meanings of a group, or a set of important understandings shared by a community. Others define *culture* as a set of shared values, as shared norms and expectations, as beliefs and expectations shared by most of the members of an organization's culture, or as assumptions commonly held by a group."

Hofstede (1991) found it helpful to analyse culture on six dimensions for purposes of comparison:

[Dimension 1] "Process oriented vs. results oriented. ... opposes a concern with means [*process oriented*] to a concern with goals [*results oriented*]. ... in the process oriented cultures people perceive themselves as avoiding risks and making only a limited effort in their jobs ... In the results-oriented cultures people

perceive themselves as comfortable in unfamiliar situations and put in maximal effort ... each day is seen to bring new challenges."

[Dimension 2] "Employee oriented vs. job oriented. ... opposes a concern for people [*employee oriented*] to a concern for completing the job [*results oriented*]. ... The employee-oriented-job-oriented dimension corresponds to the two axes of a well-known US leadership model: Blake and Mouton's *Managerial Grid* (1964). Blake and Mouton developed an extensive system of leadership training on the basis of their model. ... However, Blake and Mouton's grid applies to individuals, while the IRIC study compared organizational units. What the IRIC study shows is that while individuals may well be both job *and* employee oriented at the same time, organizational cultures tend to favor one or the other."

[Dimension 3] "Parochial vs. professional ... opposes units whose employees derive their identity largely from the organization [*parochial*] to units in which people identify with their type of job [*professional*]. ... Predictably in our survey, unit scores on this dimension are correlated with the unit members' level of education: parochial units tend to have employees with less formal education."

[Dimension 4] "Open system vs. closed system. ... What this dimension describes is the communication climate".

Open systems welcome newcomers/outside, closed systems feel secretive and hard to enter.

"Dimension 5 [Loose control vs. tight control] refers to the amount of internal structuring in the organization. ... People in *loose control* units feel that no-one thinks of cost, meeting times are only kept approximately, and jokes about the company and the job are frequent. People in *tight control* units describe their work environment as cost-conscious, meeting times are kept punctually, and jokes about the company and/or the job are rare."

Tight control cultures are associated with strict unwritten codes of dress and behaviour.

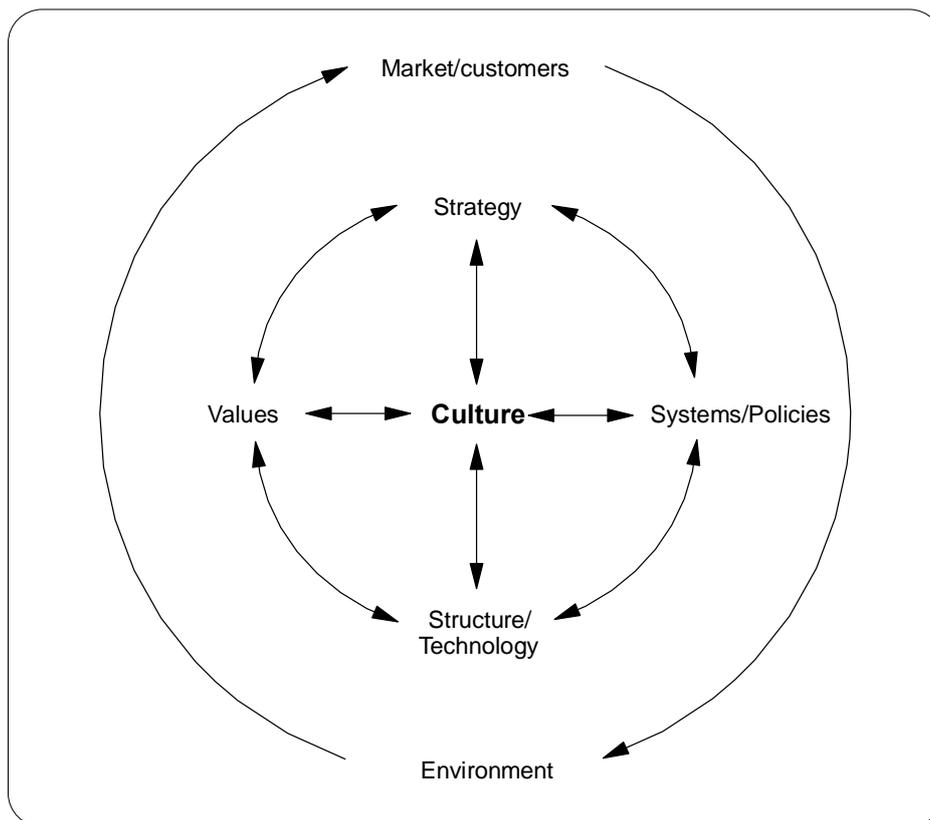
"Dimension 6 [Normative vs. pragmatic] ... deals with the popular notion of 'customer orientation'. *Pragmatic* units are market driven; *normative* units perceive their task towards the outside world as the implementation of inviolable rules." (Hofstede, 1991).

In addition to these six axes, or "dimensions", there are other manifestations of culture which Hofstede believes should be examined. These are "power distance" - the extent to which members of a society accept the unequal distribution of power; "uncertainty avoidance" - the extent to which members of a society feel uncomfortable with uncertainty and ambiguity, and therefore support

beliefs offering certainty and institutions offering conformity; "individualism/collectivism" - the strength of preference for social frameworks which require individuals to take care of themselves and their close families, or in which the society [extended family, clan, or in-group] looks after members in exchange for unquestioning loyalty; and "masculinity/femininity" - the orientation towards a preference for achievement, heroism, assertiveness, material success - or for relationships, modesty, care for the weak, and quality of life. The use of the term

"masculinity/femininity" does not relate literally to males or females, both men and women tend to have similar preferences according to the type of society.

Baron and Walters (1994) have produced a model of four underlying components of culture, and the interactions between them, based on fifteen case studies. Within an environment which includes markets and customers, culture influences and is influenced by the four components, which in turn interact with each other.



Components of culture (Baron and Walters, 1994)

"The relationship between all the variables within the model is a two-way process. Culture is a dynamic force and will inevitably influence many of the processes apparent in organisations. However, culture can also be driven by processes ... including human resource mechanisms" (Baron and Walters, 1994).

Further information is given about the components:

"[Values] may be expressed in the form of written 'value statements' or they may simply be the result of the shared beliefs of those with power in the organisation and hence not appear in any formal way. ... "The dominant values will inevitably shape the business plan and determine the objectives of organisations and vice versa, creating a mutually reinforcing cycle."

"The kind of systems and policies which the organisation chooses to develop and use may be influenced by the culture, or, rather, by the shared beliefs about how an organisation should be managed. The systems and policies may, therefore, form part of a cycle of reinforcement, a product of the culture that they seek to perpetuate. Alternatively, the culture may inhibit the success of systems and policies designed to deliver the strategy if the organisation is unaware of the nature of the culture."

"Structure and technology are essentially the enablers that facilitate the development of a particular culture, perpetuate and reinforce a culture or, indeed, inhibit culture change. In themselves they do not drive culture change". (Baron and Walters, 1994).

Strategy is "an important aspect of corporate culture." The case studies show that "business objectives are main drivers of culture change" but values shape organisations' strategy and reinforce the value sets or challenge them if problems arise. There is a danger of a credibility gap and/or confusion if said and done policies are different, or if conflicts arise, for example between ethics and profit" (Baron and Walters, 1994).

The methodological categorisations described above lead almost seamlessly into descriptions of culture types and characteristics. Other writers concentrate on descriptive models on the premise that recognition of a "pure" [or "ideal" in the Platonic sense] form of a culture type will aid understanding of real-world cases, whilst accepting that "this division of the world of business into ... categories is, of course, simplistic. No company we know today precisely fits into any of these categories" (Deal and Kennedy, 1982).

Harrison (1972), Deal and Kennedy (1982), Handy (1985), Trompenaars (1993) and Schneider (1994) all identify four basic culture types. Harrison's are described in terms of "orientations" :

1. Power orientation - typical of small entrepreneurial enterprises.
2. Role orientation - typical of bureaucracies and characterised by strong procedures, valuing order, consistency and predictability
3. Task orientation - this type values teams, achievement and intrinsic motivation
4. Support orientation - valuing relationships and bonding, characterised by "a 'family' feel."

Deal and Kennedy's (1982) types are:

"The process culture. A world of little or no feedback where employees find it hard to measure what they do; instead they concentrate on how it's done. We have another name for this culture when the processes get out of control - bureaucracy! ...

The tough-guy, macho culture. A world of individualists who regularly take high risks and get quick feedback on whether their actions were right or wrong. ...

The bet-your-company culture. Cultures with big-stakes decisions, where years pass before employees know whether decisions have paid off. A high-risk, slow-feedback environment. ...

"The work hard/play hard culture. Fun and action are the rule here, and employees take few risks, all with quick feedback; to succeed, the culture encourages them to maintain a high level of relatively low-risk activity."

Handy (1985) relates his four models to the classical world:

"A power culture is frequently found in small entrepreneurial organizations. ... Its structure is best pictured as a *web* ... If this culture had a patron god it would be Zeus, the all-powerful head of the Gods of ancient Greece who ruled by whim and impulse, by thunderbolt and shower of gold from Mount Olympus".

"A role culture is often stereotyped as bureaucracy. But bureaucracy has come to acquire a pejorative note in common parlance, so 'role' will be used here. ... a role culture can be pictured as a *Greek Temple*. Its patron god is Apollo, the god of reason; for this culture works by logic and by rationality. The role organization rests its strength in its pillars, its functions or specialities [departments]. ... They are coordinated at the top by a narrow band of senior management".

"The task culture is job or project oriented. ... [It] can best be represented as a *net*, with some of the strands of the net thicker and stronger than the others. Much of the power and influence lies at the interstices of the net. The so-called 'matrix organization' is one structural form of the task culture. ... The task culture has no totally appropriate presiding deity, perhaps because the Ancients were more interested in style and principle and power than in performance, for the whole emphasis of the task culture is on getting the job done."

"The fourth culture is an unusual one. It will not be found pervading many organizations, yet many individuals will cling to some of its values. In this culture the individual is the central point. If there is a structure or an organization it exists only to serve and assist the individuals within it. ... Its structure is as minimal as possible, a *cluster* is the best word for it, or perhaps a galaxy of individual stars. ... Dionysus is its patron deity, the god of the self-oriented individual, the first existentialist". Handy (1985).

Handy uses the term "Person Culture" for the last type, and suggests that "barristers' chambers, architects' partnerships, hippy communes, social groups, families, and some small consultancy firms, often have this 'person' orientation".

Trompenaars (1993) uses colourful descriptions such as "Family" [hierarchical, power oriented], "Eiffel Tower" [highly structured, with well-defined roles], "Guided Missile" [egalitarian, reliant on intrinsic motivation] and "Incubator" [no formal structure, has values which stress self-expression and fulfilment] to identify culture types.

Schneider (1994) uses the terms Collaboration Culture, Cultivation Culture, Control Culture, and Competence Culture to define his four basic culture

types. "Briefly, a control culture has to do with power, a collaboration culture is all about teams and teamwork, a competence culture focuses on achievement, and the cultivation culture is concerned with growth and potential."

Schneider goes into great detail about the characteristics, strengths and weaknesses of the four culture types. For example, control cultures are characterised by hierarchy, centralised goal-definition, emphasis on reward and punishment, and formal systems. "The individual motivation base for the control culture lies in people's need for power". Control cultures tend to be stable and secure, but can be arrogant and individual flair and innovation can be stifled.

Competence cultures are "based on the achievement motive". They emphasise personal and organisational excellence, and can be sources of technological advance. They may, however, foster technical excellence at the expense of pragmatism, and people in them may feel insecure. "Of all the four core cultures, the competence culture has generated the greatest number of developmental works on the study and improvement of organizations. This is to be expected considering that most writers themselves belong to competence cultures such as universities and consulting firms" (Schneider, 1994).

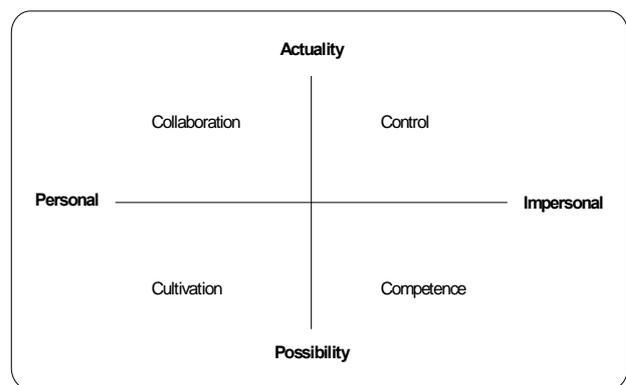
The collaboration culture emphasises teamwork, partnership and cooperation. It is "a natural at building and using diversity, an increasingly prevalent issue in the 1990s" (Schneider, 1994). It tends to be versatile and adaptive, individual talent is fostered, although it may not be recognised, and "employees feel ownership and pride". Collaboration cultures "may be disadvantaged against a ruthless adversary" by slow decision-making, "short-termism" and vulnerability to "groupthink".

"The collaboration culture's way to success is to put a collection of people together, to build these people into a team, to engender their positive affective relationships with one another, and to charge them with fully utilizing one another as resources" (Schneider, 1994).

The cultivation culture values its people's aspirations and hopes. It "taps and utilises individual talent" and is "amenable to change and adaptation". People feel "fulfilled, inspired, enlivened" but it may lack direction and focus. It can be "weak at completing/finishing, ... blind to 'hard' data [and] poor at decision making if too many options" are available. The cultivation culture is characterised by free-flowing, flexible

relationships, "built on trust and commitment". "A feeling of freedom permeates the organization. People behave as if they have few things to worry about." "While D C McClelland researched and articulated the motives for the first three core cultures, the work of Abraham Maslow provides the cultivation culture with its intellectual motivation base" (Schneider, 1994).

Schneider's four culture types are placed in the quadrants of a matrix with axes Personal↔Impersonal and Actuality↔Possibility: "At the most fundamental level, every organization focuses either on what is actual or what is possible. Actuality has to do with what is; possibility has to do with what might be."



Four culture types (Schneider, 1994)

As well as distinct types of culture, several writers have described varying levels of culture, or of the observable manifestations of culture. Denison (1990) defines four levels: Artefacts - "tangible aspects of culture shared by members of an organization" including verbal, behavioral, and physical artefacts. For example language, stories and myths, rituals and ceremonies, technology and art. Perspectives - "socially shared rules and norms". Values - "the evaluational base that organizational members use for judging situations, acts, objects, and people". And Assumptions - "the tacit beliefs that members hold about themselves and others ... Assumptions are the nonconscious underpinnings of the first three levels."

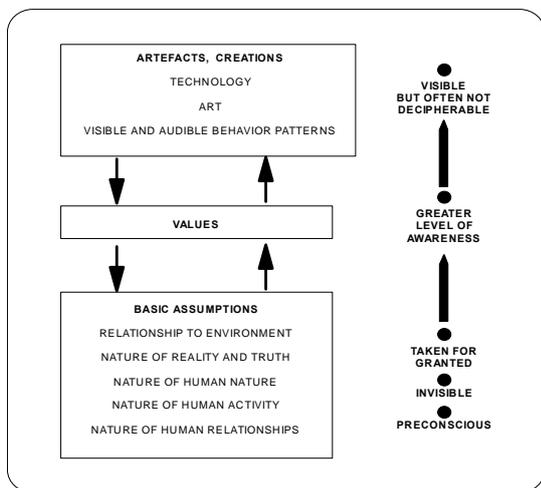
Hofstede (1991) also describes four "levels of cultural manifestations". These are: Symbols - "words, gestures, pictures or objects that carry a particular meaning which is only recognized by those who share the culture" ; Heroes - "persons, alive or dead, real or imaginary, who possess characteristics which are highly prized in a culture, and who thus serve as models for behavior" ; Rituals - "collective activities, technically superfluous in reaching desired ends, but which,

within a culture, are considered socially essential: they are therefore carried out for their own sake" ; and Values - "broad tendencies to prefer certain states of affairs over others" acquired very early in life, possibly by age ten, and therefore hard to change. These values may be unconscious; not discussed and not directly observable, they may have to be inferred.

Kotter and Heskett (1992) consider only two levels:

"We have found it helpful to think of organizational culture as having two levels, which differ in terms of their visibility and their resistance to change. At the deeper and less visible level, culture refers to values that are shared by the people in the group and that tend to persist over time even when group membership changes. ... At the more visible level, culture represents the behavior patterns or style of an organization that new employees are automatically encouraged to follow by their fellow employees. ... Each level of culture has a natural tendency to influence the other".

Schein (1980, 1985, 1990) uses three levels. The deepest is the set of "basic assumptions" about the nature of being, reality and the environment. Above this lie the values; "the sense of what 'ought' to be, as distinct from what is", and on the surface, visible to the observer, are the "artefacts and creations - [the culture's] constructed physical environment. Schein (1985) suggests that "since the insiders of the culture are not necessarily aware of their own artefacts, one cannot always ask about them, but one can always observe them for oneself".



Levels of culture (Schein, 1985, 1990)

Schein provides some expansion of the "basic assumptions" which form the deepest layer of his model.

"1. *Humanity's Relationship to Nature.* At the organizational level, do the key members view the

relationship of the organization to its environment as one of dominance, submission, harmonizing, finding an appropriate niche, or what?

1. *The Nature of Reality and Truth.* The linguistic and behavioral rules that define what is real and what is not, what is a 'fact', how truth is ultimately to be determined, and whether truth is 'revealed' or 'discovered'; basic concepts of time and space.

2. *The Nature of Human Nature.* What does it mean to be 'human' and what attributes are considered intrinsic or ultimate? Is human nature good, evil, or neutral? Are human beings perfectible or not?

3. *The Nature of Human Activity.* What is the 'right' thing for human beings to do, on the basis of the above assumptions about reality, the environment, and human nature: to be active, passive, self-developmental, fatalistic, or what? What is work and what is play?

4. *The Nature of Human Relationships.* What is considered to be the 'right' way for people to relate to each other, to distribute power and love? Is life cooperative or competitive; individualistic, group collaborative, or communal; based on traditional lineal authority, law, charisma, or what?"

(Schein, 1985).

The recurrence of the term *values* in the literature requires some exploration of the meaning of this concept in its application to culture. Rokeach (1973) defines a value as "an enduring belief that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence".

Schwartz and Sagiv's (1995) definition of values is "transsituational goals [terminal or instrumental] that express interests [individual, collective, or both] concerned with a motivational type and that are evaluated according to their importance as guiding principles in a person's life."

In both these definitions the essence of a value as an "enduring", "transsituational" "guiding principle" is clear. Values in this sense are pre-existing reference-points which influence choices between alternative possible behaviours. They are likely to be difficult to change (Hayes, 1994). In the corporate or organisational context, "Values ... are the basic concepts and beliefs of an organization; as such they form the heart of the corporate culture. Values define 'success' in concrete terms for employees - 'if you do this, you too will be a success' - and establish standards of achievement within the organization" (Deal and Kennedy, 1982).

According to Baron (1994) "Value-driven organisations manage by developing a set of values

which they expect everyone involved with the organisation to subscribe to"

Deal and Kennedy (1982) regard such a value set as "the bedrock of any corporate culture. As the essence of a company's philosophy for achieving success, values provide a sense of common direction for all employees and guidelines for their day-to-day behavior. ... we think that often companies succeed because their employees can identify, embrace, and act on the values of the organization."

Defining and establishing such a value set is an imprecise activity. "Values are not 'hard', like organizational structures, policies and procedures, strategies, or budgets. Often they are not even written down. And when someone does try to set them down in a formal statement of corporate philosophy, the product often bears an uncomfortable resemblance to the Biblical beatitudes - good and true and broadly constructive, but not all that relevant to Monday morning" (Deal and Kennedy, 1982).

Nevertheless, in a survey involving "429 managers drawn from a wide range of manufacturing and service businesses", Humble, Jackson and Thomson (1994) found that 80% of organisations had written value statements and 89% expected values to become more important for success in the next three years. Most firms [70%-73%] said that corporate values influenced decisions, but 53% also said that corporate values were "sometimes/partly ... slogans which do not make much difference to ... daily work behaviour".

Hofstede (1991) seems to be rather isolated in not regarding values as an especially significant factor in culture. Acknowledging that "although organizational cultures are *mainly* composed of practices, they do have a modest values component", he found that "From the six organizational culture dimensions the numbers 1, 3, and 4 were ... to some extent associated with values. For the other three dimensions; 3, 5, and 6, no link to values was found at all. These dimensions just describe practices to which people have been socialized without their basic values being involved."

Hampden-Turner (1990) argues that "the values within a culture are more or less harmonious", a view which is supported by Kotter and Heskett (1992): "When people talk of 'the corporate culture', they usually mean values and practices that are shared across all groups in a firm, at least within senior management."

This may be an optimistic view by senior managers: "there is an important difference between the guiding beliefs or vision held by top management and the daily beliefs or norms held by those at lower levels in the unit or organization. The former reflect top managements' beliefs about how things ought to be. The latter define how things actually are" (O'Reilly, 1989).

Coopey (1994) refers to a survey carried out in 1988 by Jowell and Topf:

"A large discrepancy was reported between how people thought a large company would choose to use its profits and how they, themselves, thought profits should be used. Investment, workforce benefits and customer benefits were perceived to lose out significantly compared to shareholders' dividends and bonuses to top management. Such perceptions are likely to hinder trust-building which leaders must, in theory, achieve in order to enhance commitment. Given the scandals which have broken over British business since the survey was published, and recent confirmation of widening earnings differentials, it is unlikely that current public opinion would differ from that reported in 1988".

Humble, Jackson and Thomson's (1994) survey also found that, faced with a conflict between corporate values and "short term commercial gain [especially in a recession]" opinions were evenly divided about which would take priority. In organisations without written value statements commercial gain was the clear winner.

These discrepancies underline the fact that "Organizations are not one homogenous culture, but are 'multi-cultural', and culture can be a source of conflict" (Meek, 1988). This is to be expected, given that, as Hofstede (1991) points out "As almost everyone belongs to a number of different groups and categories of people at the same time, people unavoidably carry several layers of mental programming within themselves, corresponding to different levels of culture".

Hofstede lists number of such groupings, including national; regional; ethnic; religious; linguistic; gender; generation; social class and, for employed people, organizational or corporate levels. Morgan (1986) points out that "foremost among all organizational countercultures, of course, are those fostered by trade unions" although Guest et al (1996), in a survey of 1,000 people working in organisations employing twenty five or more people, found that "only 20% of union members feel a lot of loyalty to their union while 38% feel a lot of loyalty to their employer and 73% feel a lot of loyalty to their fellow workers.

Smircich (1983) complains that this complexity is given insufficient attention: "much of the literature refers to an organization culture, appearing to lose sight of the great likelihood that there are multiple organization subcultures, or even countercultures, competing to define the nature of situations within organizational boundaries."

Pay (1994) maintains that

"there are six principal ways in which functional values may differ:

1. Hierarchical or Informal [The degree to which position and hierarchy are accepted and considered important];
2. Risk Tolerance or Aversion [The degree of willingness to accept imprecision or to take risks];
3. Macho or Caring [The value placed on 'Macho' or Nurturing/Caring behaviour];
4. Team or Individual Focus [The preference for working in and being judged as groups or as an individual];

5. Theoretical or Practical [The degree of interest in and comfort with concepts and theories];

6. Short term or Long term [The extent to which thinking is focused on long or short term time scales and issues]".

To some extent, according to Pay, values are associated with the function that is being performed:

"Most people would for example feel uneasy about an accountant who was flamboyant in style, who ignored rules and who wanted to take large risks. They would feel equally uncomfortable about a marketer who was introverted, highly conformist and risk averse. This is because all of these values are essentially derived from the nature of the work and the processes involved" (Pay, 1994).

Pay has provided a table of differentials in this respect between various organisational functions:

	Hierarchy	Risk	Macho	Team	Theory	Time
Personnel	L	M	L	M	M	M/L
Training	L	M	L	M	M	M
Manufact.	H	L	H	L	L	S
Market.	L	H	H	L	L	L
Sales	L	H	H	H	L	S
Engineering	M	L	M	H	H	L
IT	M	M	M	H	L	M
Finance	H	L	M	M	H	S
Research	H	L	M	M	H	L

Functions and values (Pay, 1994)

In the discussion of values, the terms *assumption*, *norm*, and *belief* frequently occur in the literature. Some writers appear to use these terms almost interchangeably, whilst others attribute precise meanings to them, some of which are idiosyncratic. Migliore and Martin (1994) use *assumptions* to define a particular kind of values: "Controlling values can be divided into: [1] ultimate, non-debatable, taken-for-granted values, for which the term 'assumptions' is more appropriate; and [2] debatable, overtly espoused values for which the term 'values' is more applicable". "Assumptions which are taken for granted are very powerful, ingrained characteristics. Power renders assumptions less debatable or adjustable than given values".

Schein (1985) explains that "what I am calling basic assumptions are congruent with what Argyris has

identified as 'theories-in-use,' the implicit assumptions that actually guide behavior". These "tell group members how to perceive, think about, and feel about things". For Schein, "basic assumptions ... tend to be nonconfrontable and nondebatable" and are therefore difficult to "resurrect, reexamine [or] change".

The tone of these definitions is that assumptions are a special case of *belief*, which Morgan and King (1971) defined as "the acceptance of some proposition". This may be value- or attitude-free: "for example, you may believe that Edinburgh is in Scotland without having any particular attitude about this belief" (Dobson et al, 1981). Assumptions are a special case because they may be below the level of conscious awareness.

Sathe (1985) believes that an observer can infer "each important shared assumption ... from one or

more manifestations of culture." from such overt manifestations as the "background of the founders and others who followed them", the way the organisation has responded to crises, and "who are considered deviant in the culture? How does the organization respond to them?" Hampden-Turner (1990) reinforces this causal association: "You have not understood a corporate culture until you see that its actions follow logically from its beliefs and assumptions. The feeling that a culture is illogical is usually a result of mistaking its premises for one's own."

Arising from their "larger study of corporate tragedies", Mitroff and Kilman (1985) are especially interested in the "taboos" which they argue may be observed in every culture. The concept of taboo covers things people are forbidden to eat, touch, discuss, study or research; places people are forbidden to enter, and forbidden sexual relationships.

"One of the principal functions of taboo is to set up clear boundaries of behavior. On one side of a boundary, certain acts are permitted, and on the other side, certain other acts are not permitted. As a result, topics and items associated with taboo create the deepest anxieties in a culture's members. There is a fear that even by discussing, just by acknowledging, that there are certain things that are taboo, we will have committed an action that is prohibited by the taboo itself."

Taboos may be considered as a particular case of values, and, possibly, assumptions in the organisational context.

According to Allport (1935), attitudes are "mental or neural state[s] of readiness, organized through experience, exerting a directive or dynamic influence upon the individual's response to all objects and situations with which it is related" and, according to Rokeach (1968) "learned orientation[s] or disposition[s], toward an object or situation which provide... a tendency to respond favourably or unfavourably to the object or situation" The term *attitudes* may therefore be summed up as *values in action*.

Schein (1985) advises caution in observing and analysing values: "in analyzing values one must discriminate carefully between those that are congruent with underlying assumptions and those that are, in effect, either rationalizations or aspirations for the future."

Norms, meaning standards of behaviour or performance which are expected within a culture, may be seen to arise from the underlying values,

assumptions and beliefs prevailing in that culture. Their significance may depend on various factors:

"norms can vary on two dimensions: the intensity or amount of approval/disapproval attached to an expectation; and the crystallization or degree of consensus or consistency with which the norm is shared. For instance, when analyzing an organization's culture it may be that for certain values there can be wide consensus but no intensity. Everyone understands what top management values, but there is no strong approval or disapproval attached to these beliefs or behaviors. Or, a given norm, such as innovation, can be positively valued in one group [e.g., marketing or R&D] and negatively valued in another [manufacturing or personnel]. There is intensity but no crystallization.

It is only when there exist both intensity and consensus that strong cultures exist. That is why it is difficult to develop or change culture" (O'Reilly, 1989).

It becomes clear that the various terms do have their own special meanings, although their interactions are complex and it may be difficult to identify any specific behaviour as an example of, or as arising from any single concept. The indiscriminate use of the terms in the culture literature reflects this difficulty.

A number of writers (for example, Kilman et al, 1985; Hampden-Turner, 1990; Hope and Hendry, 1994, Schneider, 1994; or Egan, 1994) have drawn strong parallels between culture and [individual] personality.

"An organization's core culture corresponds closely to an individual's core character. Both organisms naturally develop a more or less integrated persona or constitution that provides a paradigm for working, living, and striving to succeed. ...Culture is important to an organization and character is important to an individual because both [1] provide consistency, order, and structure; [2] establish an internal way of life; and [3] determine the conditions for internal effectiveness. Organizational culture is 'the way we do things in order to succeed' and individual character is 'the way I do things in order to succeed' (Schneider, 1994).

The common use of anthropomorphic language and metaphor in the discussion of culture is discussed in some detail by Meek (1988), who draws attention to the frequent use of terms such as "life cycle", "healthy or unhealthy", "character" and "needs" in the literature. By this language "the organization is transformed into a 'superindividual' ... [which] leads to metaphysical explanations for something that cannot be observed".

It is clear that, to the extent that culture is a collective equivalent to individual personality, that

personality must influence the form that culture takes and its effects on corporate or collective behaviour.

"At its deepest level, culture is the collective manifestation of human nature - the collection of human dynamics, wants, motives, and desires that make a group of people unique. Some properties of human nature, for example, can be generally shared among group members, although each group differs in the strength and nature of these qualities: mental capacity [only a few variables can be understood and analyzed at one time], memory [time erases the clarity and recall of events], and objectivity [psychological needs bias the interpretation of both current and past events]. To understand how any group functions, therefore, we must understand which issues it is likely to emphasize or ignore, what information it is likely to select to retain, and how it is likely to distort information" (Kilman et al, 1985).

This is a point which concerns Stacey (1992) in his exploration of complexity:

"The kinds of issues a given group will deal with, and what they will try to avoid, the manner in which they deal with the issues they do attend to, how successful they are, will then depend significantly on the composition of the group in personality terms. Small changes in personality composition, the removal of one person or the addition of another, can have a major impact on the outcome of their work together. One person behaving in a neurotic manner can completely disrupt the work of the group. Because of this sensitivity to who is there and how they behave, the outcomes of group work, when open-ended change is being dealt with, depend on chance and are unpredictable in specific terms."

However, "culture is not a property of individuals [as, for example, personality is]; it develops, however, when even a few people come together in a small group setting" (Kilman et al, 1985).

Deal and Kennedy's early (1982) and succinct summary of the practical function of culture: "A strong culture is a system of informal rules that spells out how people are to behave most of the time" is not disputed in the later literature. Burnes (1992) argues that culture "legitimises certain forms of action and proscribes other forms" and impacts on everyone in an organisation: "from the most senior manager to the humblest clerk. Their actions are judged by themselves and others in relation to expected modes of behaviour".

Kilman et al (1985) describe culture as "a social energy that moves people to act" whilst Hampden-Turner (1990) maintains that "The culture of an organisation defines professional behaviour, motivates individuals and asserts solutions where there is ambiguity. It governs the way a company

processes information, its internal relations and its values. It functions at all levels from subconscious to visible."

Culture also has an important effect on how an organisation forms judgements and makes decisions. "Like a human organism, an organization attends to certain matters and not to others; ... it has a unique style; it resists or embraces change; and it strives to succeed" (Schneider, 1994).

Perhaps Denison's (1990) perspective conveys a sense of the richness and complexity of the culture concept, and of its importance to an understanding of organisational life.

"An organization's culture may be seen as a code, a logic, and a system of structured behaviors and meaning that have stood the test of time and serve as a collective guide to future adaptation and survival. This definition helps to explain why cultures can be abstract and mystical, yet concrete and immediate; impossible to change, yet rapidly changing; complex and intricate, yet grounded in very basic values; and occasionally irrelevant to business issues, yet always central to an organization's strategy and effectiveness. This definition also explains why culture must be studied as both a cause and an effect."

The formation and acquisition of culture

According to Schein (1985), culture is "a *learned product of group experience* and is, therefore, to be found only where there is a definable group with a significant history". For Schein, the group is the key to understanding the development of culture in organisations of any size:

"Organizations evolve from small groups. But organizations develop dynamics that go beyond those of the small group. In order to understand organizational cultures, therefore, we have to extrapolate from what one can observe in small groups to the situation of organizational growth and development."

Hollway (1991) is critical of Schein's readiness to generalise observations of small group behaviour to much larger organisations: "According to Schein, it is at the group level that culture forms Schein's definition falls into different traps. First, he relies almost entirely on the group level of analysis and, because of the traditions of American social psychology, that means assumptions about small groups. Given that the word 'organization' features in his book's title, the omission of analysis at the organizational level is very striking. ... in practice there is a constant slippage from group to

organizational level, so that he ends up referring to organizational culture in the singular. "

However, other writers have accepted Schein's direct linkage between the small group and the larger organisation, for example, Kilman et al (1985) make a similar assertion: "Culture is not a property of individuals [as, for example, personality is]; it develops, however, when even a few people come together in a small group setting. The group is where culture first forms and then evolves, and it is also a key leverage point for changing and organization's cultures".

Kotter and Heskett (1992) also feel that the extrapolation is justified: "As MIT's Edgar Schein and others have well demonstrated, all that seems to be required is that a group of employees interact over a significant period of time and be relatively successful at what ever they undertake."

Schein (1985) has drawn up some basic prerequisites for the formation and persistence of groups:

"In order to function at all ... the group must have [1] a common language and shared conceptual categories; [2] some way of defining its boundaries and selecting its members, a process typically embodied in the recruitment, selection, socialization, training, and development systems of the organization; [3] some way of allocating authority, power, status, property, and other resources; [4] some norms for handling interpersonal relationships and intimacy, creating what is often called the *style* or *climate* of the organization; [5] criteria for dispensing rewards and punishments; and [6] some way of coping with unmanageable, unpredictable, and stressful events, a problem usually resolved by the development of ideologies, religions, superstitions, magical thinking, and the like."

It is mainly the fourth, fifth and sixth of Schein's criteria which are commonly interpreted as culture. These constitute the "rules we learn ... for how to relate to each other" and serve to "avoid the crippling anxiety of uncertainty and unpredictability" (Schein, 1985).

"Suppose that an individual founds a new group. This group will encounter from the beginning the basic anxiety that comes from uncertainty as to whether or not the group will survive and be productive and whether the members will be able to work with each other. Cognitive and social uncertainty is traumatic, leading group members to seek ways of perceiving, thinking, and feeling that they can share and that make life more predictable. ... In addition to these initial traumas, every new group will face crises of survival in its early history. As members share the perception of the crisis and develop ways of handling it, they learn to overcome the immediate discomfort

and also ways to avoid such discomfort in the future. When a situation arises that is similar to a prior crisis, it will arouse anxiety and cause the group to do what it did before in order to reduce the anxiety. It will avoid as much as possible reliving the actual discomfort and pain if it can be avoided by ritualistic ways of thinking, feeling, and behaving" (Schein, 1985).

Because "cultures embody the needs and aspirations of their members" the process of culture formation is "inherently satisfying and a strong source of motivation" (Hampden-Turner, 1990), provided that the individual feels part of the group: "climate is moulded not only by relationships and work arrangements, but also by employees' feelings of inclusion or exclusion" (Manning, 1990). For those who feel excluded there can be a "devastating impact on the feelings, attitudes, and behavior of out-group members" (Northouse, 1997).

"The clearest test of culture formation, perhaps, comes when a [newcomer] ... has to be incorporated into the group. It suddenly becomes very clear to everyone, including the new member, that missing even a few meetings is very critical because so much has already come to be taken for granted. The new member must learn a great deal to feel comfortable in the new group, and many of the norms may be articulated explicitly in order to speed up the process. It is when the norms are articulated that one realizes most clearly how groups differ even after just a few meetings" (Schein, 1985).

If the birthplace of culture is, as Schein and others contend, the small group, then the process of sharing implicit in group formation is the process by which specific cultural manifestations are acquired:

"The simplest way to think about the culture of any group or social unit is to think of it as the total of the collective or shared learning of that unit as it develops its capacity to survive in its external environment and to manage its own internal affairs. Culture is the solution to external and internal problems that has worked consistently for a group and that is therefore taught to new members as the correct way to perceive, think about, and feel in relation to those problems. Such solutions eventually come to be assumptions about the nature of reality, truth, time, space, human nature, human activity, and human relationships - then they come to be taken for granted and, finally, drop out of awareness. The power of culture is derived from the fact that it operates as a set of assumptions that are unconscious and taken for granted" (Schein, 1985).

Hampden-Turner (1990) comments "all cultures are in fact responses to dilemmas", in the sense that culture arise as the product of successful past choices, which supports Schein's argument that

"solutions that repeatedly appear to solve the problems they encounter tend to become a part of their culture" (Schein, 1985). Hampden-Turner goes on: "If the culture cannot successfully mediate dilemmas, the organisation collapses". Denison (1990) also refers to "principles and practices [which] endure because they have meaning for the members of an organization" and which "represent strategies for survival that have worked well in the past and that the members believe will work again in the future".

This view of culture as the product of a collective conditioning or social learning process continues the already established analogy of culture as a form of "group personality". Whilst initially these processes operate at the individual level, they quickly become "aligned" (Schein, 1985) and shared by group members: "Psychologically we experience ... artifactual phenomena as something more than the effect of individual personalities because [1] we observe that a number of people in the organization seem to behave in the same way, [2] we observe that others in the setting treat the behavior as normal, and [3] we experience the behavior not as random or unmotivated but as *purposive and patterned*. We sense that there is some meaning in what people are doing, that there is a purpose to it that others in the situation seem to understand, even if we ourselves cannot decipher that purpose."

Checkland and Scholes (1990) and Schneider, Gunnarson and Niles-Jolly (1994) give support for this argument:

"One of the most obvious characteristics of human beings is their readiness to attribute meaning to what they observe and experience. Indeed, human beings are not simply ready to attribute meanings, they cannot abide meaninglessness. ... Mankind finds an absence of meaning unendurable. We are a meaning-endowed animal, on both the global long-term and the local short-term level. Members of organizations, for example, tend to see the world in a particular way, to attribute at least partially shared meanings to their world. And that is equally true of corporate members of the Warsaw Pact and individual members of the Batley Ladies Sewing Circle" (Checkland and Scholes, 1990).

"Culture is created and transmitted mainly through employees sharing their interpretations of events, ... or through storytelling. ... Cultural characteristics attributed to the organization actually become the organization's characteristics when employees share their beliefs about management. The more employees talk about management's qualities, the more the qualities become organization characteristics" (Schneider, Gunnarson and Niles-Jolly, 1994).

Schein (1985) suggests that there is an element of individual as well as group response involved in building cultural behaviour patterns because they foster a comforting sense of belonging: "values about how people should relate to each other, exercise power, define what is beautiful, and so on, can be validated by the experience that they reduce uncertainty and anxiety". This level of comfort and safety afforded to individual members in turn acts to ensure the group's survival: "a group can learn that the holding of certain beliefs and assumptions is necessary as a basis for maintaining the group."

Kilman et al (1985) similarly contend that "It seems that human fear, insecurity, oversensitivity, dependency, and paranoia eventually motivate members to protect themselves by being cautious, by minimizing their risks, and by going along with cultures that build protective barriers around work units and around entire organizations."

Sometimes, according to Schein (1985) the process of socialisation of individuals into the group will not be successful:

"If the external task demands working together, the group members gradually learn through interaction what each other's biases are and how to accommodate to them. Some members may find that they cannot get their own needs met and may leave the group. Those who remain will gradually develop common conceptual categories and a language geared to mutual understanding and acceptance. However, if a group is trying to function on a common task while members still have difficulty understanding and accepting each other's different emotional styles, it will be difficult to accomplish anything. Too much emotional energy will go into coping with interpersonal anxiety reduction."

Sackman (1991) points to the importance of the contributions of individuals in building culture:

"Cognitions become commonly held in processes of social interaction. They can be introduced into the organization based on outside experiences, they can emerge from growing experiences, they can be invented and/or negotiated. In repeated applications they *become attached with emotions and assigned with degrees of importance* - also commonly held. They are *relatively stable over time* and accumulated in the form of different kinds of cultural knowledge ... [which] is *passed on* to new members."

Sackman defines four kinds of "cultural knowledge":

"Dictionary knowledge: ... commonly-held knowledge about definitions and descriptions. It refers to the 'what is' in a given cultural setting ...

Directory knowledge: ... commonly-held knowledge about cause-and-effect relationships. This knowledge

refers to processes and delineates the 'how to' of things and events ...

Recipe knowledge: ... cultural knowledge about recommendations, improvements, and repair strategies. It is composed of cognitions about what should be done to improve things or what should be done in case something goes awry ...

Axiomatic knowledge: ... basic assumptions that have influenced an organisation's existence".

There is consensus that the formation and acquisition of culture is a process of learning, on the part of groups and individuals (Deal and Kennedy, 1982; Schein, 1985; Kilman et al, 1985; Hofstede, 1991) and that this learning is vital for the well-being of both the individual and the group: "The cultural network is informal, yet its rules are nonetheless rigid - they're just not written down. You've got to learn them all or you can't survive in a culture. If you forget even one, you stand out as someone who doesn't know his or her way around the company. A new employee isn't handed a booklet called 'The 50,000 Informal Rules You Need To Survive Here. Nor do managers explicitly try to manage by these rules; yet they dictate the bulk of the activity that goes on in an organization" (Deal and Kennedy, 1982).

Schein (1985) argues that "if one is concerned about managing or changing culture, one must look to what we know about the learning and unlearning of complex beliefs and assumptions that underlie social behavior" and maintains that "two interactive mechanisms" are involved which have "different consequences for the stability of what is learned". First is "positive reward and reinforcement - the success model "which arises from "*positive problem-solving situations*" in which "people repeat what works and give up what does not". This leads to "positive reinforcement if the attempted solution works" This model represents Schein's basic premise for the formation of culture.

Schein's second model is "anxiety and pain reduction - the social trauma model" which arises from "*anxiety-avoidance situations*" which produce positive reinforcement if the anxiety is successfully reduced and if the painful consequences that produced the anxiety are prevented".

Schein maintains that "in practice these two types of situations are intertwined, but they have different motivational bases, different underlying learning mechanisms, and different consequences." In respect of the "social trauma model" He warns that "The problem with this learning mechanism is that once people learn how to avoid a painful situation, they continue to pursue this course

without testing to see whether the danger still exists ... Learning theorists also note that trauma-based learning is so stable because not only does the ritualized response avoid the pain, but the actual reduction of the anxiety itself is very rewarding".

Positive reinforcement is a functionally "better" model for reasons which Schein explains: "This learning mechanism is different from trauma-based learning in that it produces responses that continually test the environment. If the environment changes so that strategies that previously were consistently successful no longer work, the group will quickly discover this, and their strategies will be re-examined and changed. This learning mechanism can, however, produce behavior that is very resistant to change if the environment is inconsistent, producing success at one time and failure at another time. Unpredictable, intermittent reinforcement leads to very stable learning just as trauma does."

Stacey (1992) also has a perspective on the dangers of firmly-established behaviour patterns in suppressing flexibility:

"No group can operate effectively in the complete absence of some cultural sharing. In defining what may be appropriate sharing in a business it is helpful to distinguish between what may be called performing and learning cultural norms. Performing norms relate to what a group is doing together in carrying out its day-to-day activities and how they behave towards each other as they do this. Learning norms relate to how they interpret what is going on around them, what it is permissible to question, and what answers it is acceptable to give and generally how they think about things. ... Strong sharing of learning norms will always be harmful and even strong sharing of a few performing norms runs risks. Such strong sharing blocks complex learning".

Schein (1985) cautions that "the learning process is complex because it is groups rather than individuals that are doing the learning, and it is cognitions and emotions, not only overt behavior patterns, that are learned. Since group members are capable of experiencing many different forms of anxiety, learning and defensive behavior occur at many levels. And ... the paradox of cultural learning is that, while culture reduces one type of anxiety, it often increases other types."

Schein's model of positive reinforcement relies, like other forms of conditioning, upon successful outcomes ensuing from certain actions or strategies. However, "only those solutions which are proposed or invented can become candidates for cultural elements". To become a "candidate" in

this sense a particular solution must first be perceived and then seem to be an attractive option. This will be heavily influenced by past experience and present culture. Managers and others bring with them into their organisational cultures the prior experiences and reinforcements which have occurred and still occur in their lives outside the organisation. As Baron and Walters (1994) put it, "individuals do not enter work organisations untrammelled by the values and attitudes of their past experience". This view is strongly supported by a variety of writers over many years:

"Personality is not formed in a vacuum. A man's language is not independent of the language of his fathers, nor are his attitudes divorced from those of his associates and his teachers. A man does not live for months or years in a particular position in an organization, exposed to some streams of communication, shielded from others, without the most profound effects upon what he knows, believes, attends to, hopes, wishes, emphasizes, fears, and proposes" (Simon, 1976).

"Organizational culture as shared beliefs can determine in large measure what managers see and thus how they respond to their world. ... The language that managers use, especially their metaphorical language, arises out of their shared beliefs and can be a powerful shaper of organizational strategy" (Sapientza, 1985).

"Organizations choose and structure their environment through a host of interpretive decisions. One's knowledge of and relations with the environment are extensions of one's culture, since we come to know and understand our environment through the belief systems that guide our interpretations and actions" (Morgan, 1986).

"If we ask where a culture comes from initially, the answer is that it lies within the potentials of its individual members. They use the culture to reinforce ideas, beliefs, feelings and information which are consistent with their beliefs. The culture discourages, even represses, sentiments and information that are inconsistent" (Hampden-Turner, 1990).

"Every person carries within him or herself patterns of thinking, feeling, and potential acting which were learned throughout their lifetime. Much of it has been acquired in early childhood, because at that time a person is most susceptible to leaning and assimilating. As soon as certain patterns of thinking, feeling and acting have established themselves within a person's mind [s]he must unlearn these before being able to learn something different, and unlearning is more difficult than learning for the first time. ... Workers' behavior is an extension of behavior acquired at school and in the family. Managers' behavior is an extension of the managers' school and family experiences, as well as a mirror

image of the behavior of the managed." (Hofstede, 1991).

Deal and Kennedy (1982), however take a rather different view, arguing that culture is much more a response to environmental imperatives:

"Each company faces a different reality in the marketplace depending on its products, competitors, customers, technologies, government influences, and so on. To succeed in its marketplace, each company must carry out certain activities very well. In some markets that means selling; in others, invention; in still others, management of costs. In short, the environment in which a company operates determines what it must do to be a success. This business environment is the single greatest influence in shaping a corporate culture."

Baron and Walters (1994) report on "15 case studies carried out in a variety of organisations... all with an international perspective." They conclude that "corporate culture is determined by a two-way relationship between a number of factors including business strategy, history and environment, and the values and attitudes held by individuals." National culture also has an influence.

Sethia and Glinow (1985) examined the reward systems in place in several large companies. They argue that "the cultures and reward systems of organizations are strongly interdependent and will have a tendency to alter each other until they reach a state of mutual balance." Reward systems influence culture directly "by selectively reinforcing certain beliefs and values" and indirectly by "affecting the quality of human resources in organizations", because pay and conditions above the market norm attract the best people, who influence others to improve performance, whilst poor rewards lead to low commitment. Baron and Walters (1994) found that "a number of the case study organisations reported problems in creating a team culture in an environment which stressed only individual contribution and reward. ... In all the case study organisations this problem had already been identified."

Several writers have examined the role of leaders in shaping culture. Morgan (1986) believes that "a focus on the links between leadership style and corporate culture often provides key insights on why organizations work in the way they do", although "formal leaders do not have a monopoly on the creation of organizational culture", those with formal power have "a special advantage in developing value systems and codes of behavior, since they often have the power to reward or punish those who follow or ignore their lead".

Coopey (1994) defines three ways in which leaders can "set the pattern of relationships": "hierarchical control of decision making regulates the power of principals over agents; mentoring relationships within that hierarchy secure narrowly conceived emotional bonding; and modes of selection, training and development bring about normative conformity of ambitious managers."

Morgan, however, emphasises the opportunities others have to influence this process by "acting as informal opinion leaders, or simply by acting as the people they are". Morgan is sure that "culture is not something that is imposed on a social setting. Rather, it develops during the course of social interaction." Schein (1985) suggests that leaders control the "primary mechanisms for culture embedding and reinforcement", which are: "[1] what leaders pay attention to, measure, and control; [2] leader reactions to critical incidents and organizational crises; [3] deliberate role modelling, teaching, and coaching by leaders; [4] criteria for allocation of rewards and status; [5] criteria for recruitment, selection, promotion, retirement, and excommunication."

Although less explicitly associated by Schein with leader practice, most of the "secondary articulation and reinforcement mechanisms" he defines are also subject at least to influence if not outright control by leaders: "[1] the organization's design and structure; [2] organizational systems and procedures; [3] design of physical space, facades, and buildings; [4] stories, legends, myths, and parables about important events and people; [5] formal statements of organizational philosophy, creeds, and charters."

Schneider (1994) is concerned with the appropriateness of leadership style, relating different approaches to his four core culture types:

"The leader as director is naturally congruent with the control culture. The participative leader fits hand-in-glove with the collaboration culture. The leader as standard setter operates naturally within the competence culture. The charismatic leader aligns naturally with the cultivation culture. ... To an important extent, leadership effectiveness is a question of degree of fit. A leader's effectiveness can be measured by the degree the leader's approach is integrated with the organization's core culture."

Coopey (1994), however, reviews a variety of aspects of leaders as exemplars, and concludes that most workers do not identify with senior managers and are therefore unlikely to be much influenced by their behaviour: "Non-directorial employees - especially non-managerial - might well have acquired a poor opinion of their leaders both as

stewards of shared interests and as inspirational exemplars of commitment to organisational values. Poor stewardship is reflected in the effects of short-termism, in standards of trusteeship over pension funds, in a willingness to engage in mergers and takeovers of dubious value, and in the treatment of women and ethnic minorities". Coopey points out that managers change jobs frequently, including sideways moves and promotions within organisations. This is unusual for ordinary workers, who are "probably stuck in their jobs until fired, retired or made redundant" and presents a barrier to mutual understanding and trust.

Deal and Kennedy (1982) discuss "heroes", as distinct from leaders. These are "symbolic figures whose deeds are out of the ordinary, but not too far out. They show - often dramatically - that the ideal of success lies within human capacity". Heroes "personify the culture's values and as such provide tangible role models for employees to follow" and "reinforce the basic values of the culture by: Making success attainable and human ... Providing role models ... Symbolizing the company to the outside world ... Preserving what makes the company special ... Setting a standard of performance ... Motivating employees ... Perhaps most importantly, heroes provide a *lasting influence within the organization*".

Culture's impact on the organisation

Egan (1994) introduces the notion of a "preferred culture" - a culture that "serves the business", and separates this ideal form of culture from the "culture in use" - the culture that actually prevails in an organisation. Where the preferred culture is actually the culture in use, Egan argues, the organisation will prosper. Schneider (1994), too, argues that "core culture" must be "congruent with the nature of your enterprise" for an organisation to be successful. Kotter and Heskett (1992) found that many of the organisations they studied had cultures which did little to foster organisational success, often because they were rigid, fixed and unadaptive. They found that performance-enhancing cultures can emerge "in start-up situations ... where the entrepreneur has a business philosophy that is similar to what we have found at the core of adaptive cultures" and where early successes reinforce this philosophy. "We suspect these elements are not unusual in highly successful young companies, mostly because they are necessary for success in a competitive business environment", but they can erode over time.

Denison (1990) believes that management practices are usually "rooted in the values of the organization", so that the underlying values and beliefs held by managers will directly impact on their actions and decisions. If, as many writers argue (for example, Harrison, 1972; Schein, 1985; Burnes, 1992; or Cleland, 1994), values and beliefs are central to the concept of culture, then it becomes axiomatic that culture will affect organisational performance through the behaviour of managers. "The best way to make a company successful is to have a culture that influences members to adopt, by tacit agreement, the most effective approach, attitude, and behavior on the job" (Kilman et al, 1985).

Sapienza (1985) conducted research in two organizations in a "major service industry" in the United States following legislation in 1982 that "attempted to change the economics" of the industry. He attempted to identify core beliefs among top management and how these beliefs influenced decisions and actions. Sapienza found evidence that core beliefs, preconceptions and attitudes did influence perceptions, behaviour and decisions. "Shared beliefs influenced how managers perceived certain aspects of the legislation" and "influenced the language that managers used to articulate their perceptions". Sapienza goes on to remark that "Decision making entailed a response to the intersubjective reality created in part by managers' shared beliefs and depicted in metaphorical imagery. Strategy was designed in some measure to adapt the institution to a metaphorical reality".

Smircich (1983) argues that "culture, conceived as shared key values and beliefs, ... conveys a sense of identity for organization members" and "facilitates the generation of commitment to something larger than the self". This coordinating function is also noted by Stacey (1992): "the whole system could move off in highly uncoordinated ways, unless everyone believes in the same thing". Deal and Kennedy (1982) believe that "shared values affect performance in three main ways". Firstly, "Managers and others throughout the organization give extraordinary attention to whatever matters are stressed in the corporate value system - and this in turn tends to produce extraordinary results". Secondly, "down-the-line managers make marginally better decisions, on average" because their perceptions of the shared values guide them, and thirdly, "people simply work a little harder because they are dedicated to the cause".

Nowhere do Deal and Kennedy, from the perspective of the early eighties, question the desirability of getting people to work harder, or the implied causal link between harder work and better organisational results. They maintain that "a strong culture enables people to feel better about what they do, so they are more likely to work harder". Humble, Jackson and Thomson (1994) prefer the concept of "high performance" to that of hard work: "A commitment to high performance at work reflects fundamental beliefs. People are driven by what they believe as well as the machines and equipment they have. This is why values are of central importance. However, corporate values have no independent life of their own. They only contribute in the wider context of an organization's vision and strategy."

However, some writers introduce caveats in respect of strongly shared values: "Experience suggests that a strong culture makes a strong organisation, but does it matter what sort of culture is involved? Yes, it does. Not all cultures suit all purposes or all people. Cultures are founded and built over the years by the dominant groups in an organisation. What suits them and the organisation at one stage is not necessarily appropriate for ever - strong though that culture may be" (Handy, 1985). "The research also provides support for the notion that even cultures that have been highly successful in the past can ultimately impede an organisation's ability to achieve its business objectives if they are not properly managed to take account of changing times" (Baron and Walters, 1994).

Schneider (1994) is concerned with the impact culture has on managers' perceptions of available options, and their ability to implement decisions in the wider organisation: "Culture is also important because it limits strategy. ... Many organizations have learned the hard way that new strategies that make sense from a financial, product, or marketing viewpoint cannot be implemented because they are too far out of line with the organization's existing assumptions. The new strategies do not fit within the cultural paradigm. ... The failure of 50 percent of mergers and acquisitions during the 1980s is testimony to the importance of culture and its limiting role on strategy."

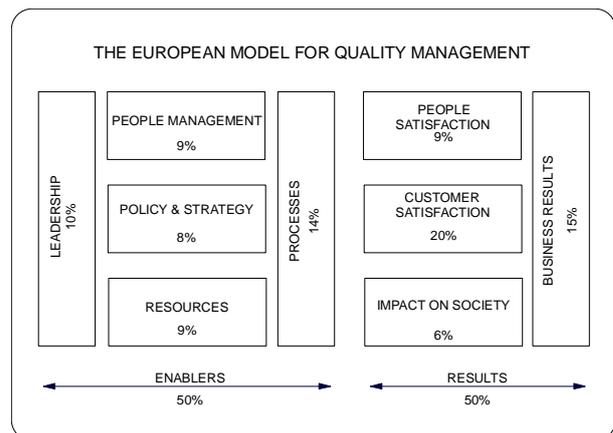
Kilman et al (1985) argue that culture which is widely shared and exerts strong influence over behaviour is *positive* if it "points behavior in the right direction" and *negative* if it points behaviour contrary to organisational goals". In the latter case a weak culture is preferable to a strong one.

Deal and Kennedy (1982) warn of the "risks and pitfalls of strong values ... The risk of obsolescence ... The risk of resistance to change ... The risk of inconsistency ... if managerial behavior contradicts professed values" and Stacey (1992) believes that "strongly shared cultures block an organisation's ability to develop and handle live strategic issue agendas". From his position as an advocate of the application of complexity science to management, Stacey argues for variety: "contradictory countercultures foster different perspectives and provoke the enquiry and complex learning necessary to handle strategic issue agendas." He goes on to weigh up the advantages and disadvantages of strong sharing: "The great advantage of strong sharing is that it cuts down on the need to communicate. The great disadvantage is that the assumptions made by everyone in the group are very rarely questioned. Indeed it will usually take some courage to question them at all. This means that in turbulent times they can quickly and disastrously become out of date. Strongly shared cultures inevitably block new learning and cut down on the variety of perspectives brought to bear in any situation."

Stacey would no doubt approve of a perspective which focuses on interactions between factors as a primary driver of outcomes. Baron (1994) identifies "four main determinants of culture: strategy, structure and technology, values and systems, and policies", and argues that "culture is determined as much by the relationships between these variables as by the variables themselves." Baron refers to the IPD research previously cited (Baron and Walters, 1994) which "sought to analyse the experiences of a variety of organisations grappling with the problems of culture. It aimed to identify practical approaches which could bring about and sustain culture management across national boundaries." In the course of this work "there were many instances where policies, particularly people management policies, were reinforcing culture, often as a result of a process of interaction between culture and policy and a reassessment of the appropriateness of policy."

There is a strong movement in the management literature towards an emphasis on multiple objectives and balanced priorities. Schneider, Gunnarson and Niles-Jolly (1994) maintain that "Organizations become effective when they create, maintain, and sometimes change climates and cultures to emphasize the achievement of multiple priorities. In this environment, employees are able to interpret what happens to them in ways that are consistent with their organization's goals and

priorities - and set their own priorities accordingly." This is consistent with Senge's (1990) advocacy of a systemic view of organisation, and with Kaplan and Norton's (1992) "balanced business scorecard" model, which enjoins broadly equal attention to financial, customer, internal business, and innovation and learning "perspectives". The European Foundation for Quality Management (EFQM, 1994, 1997) uses a model which balances five groups of "enablers" and four groups of "results".



European model for quality management (EFQM, 1994)

"The Model tells us that 'customer satisfaction', 'people [employee] satisfaction' and 'impact on society' are achieved through 'leadership' which drives the 'policy and strategy', 'people management', 'resources' and 'processes', leading to excellence in 'business results'. Each of the nine elements, therefore, is a criterion that can be used to assess the organisation's progress along the path to excellence. The 'results' indicate what the company has achieved and is achieving; the 'enablers' indicate how those results are being achieved" (EFQM, 1997).

Kotter and Heskett (1992), too, advocate a balanced approach, in which companies "value highly customers *and* stockholders *and* employees".

Overall, there is virtual unanimity in the literature that culture is linked to organisational performance, and substantial agreement about the mechanisms through which this occurs. Baron and Walters (1994) are unequivocal:

"In 1992 and 1993 the Institute of Personnel Management launched the results of research into performance management and quality management. Both pieces of research came to the same overall conclusion: the success or failure of strategies to manage performance or the quality of service or production is largely determined by the culture that prevails within the organisation. It became apparent

that an understanding of organisational culture and the commitment to make any necessary changes are prerequisites for almost any successful management strategy."

Hofstede (1991) goes even further: "'Corporate culture' is a soft, holistic concept with, however, presumed hard consequences. I once called it 'the psychological assets of an organization, which can be used to predict what will happen to its financial assets in five years' time'."

There have been many attempts to link cultural analysis with organisational success, usually with a view to providing managers with the means to enhance their organisations' performance. Migliore and Martin (1994) have developed a "culture index" for "measuring the culture in an organization" The index measures twenty items: goals, planning, planning effectiveness, morale, performance appraisal, rewards, freedom, communication, job satisfaction, people, values, training, teamwork, social, ethics, leadership, interaction, benefits, perception, and environment, scoring each on a scale of 1 ["unfavourable"] to 5 ["favourable"]. Their research correlates high Culture Index scores with successful organisations, whilst acknowledging that "there is no proof today that culture directly affects normal profit, although opinions might suggest it does".

Despres (1995), however, in a "Specific Reply To Migliore and Martin" is dismissive of culture research as an input to management practice. He observes that "management is largely populated by positivists" and explains that "by positivism I mean the conviction that there is some matrix or framework of reality to which we can appeal in determining the nature of truth ... or more correctly, The Truth". Despres maintains that "definitional clarity is essential in positivism; and ... the way managements' positivists have conceptualized organizational culture has made it as unruly a concept as any found in their library". According to Despres, the three disciplines which contribute most to the "organisational culture debate: anthropology, sociology and psychology" are fundamentally incompatible: "Anthropologists have focused on collective cognition, meaning and understanding; sociologists on the structural regularities that characterize social intercourse; psychologists on intrapsychic and adaptive phenomena that pertain to the individual" and the methodologies favoured by each discipline are mutually exclusive. Anthropologists and sociologists use "ethnographic means which are epistemologically at odds with survey methodology". Psychologists often use "positive

means that are epistemologically at odds with ethnography". This prevents meaningful associations between "observable form and intrinsic meaning" for managers to utilise.

One of the most influential books for a general audience has been Peters and Waterman's (1982) "In Search of Excellence", described by Crainer and Hamel (1997) as "the most popular management book of contemporary times. Its global sales now near six million". Peters and Waterman analysed the characteristics of, initially, sixty-two successful companies, selected because they had stayed ahead of their competitors on six criteria: compound asset growth, compound equity growth, ratio of market value to book value, return on capital, return on equity, and return on sales. They identified eight key attributes of "excellence":

"1. A bias for action - problems reduced to manageable proportions [chunking] and addressed by small project teams ...

1. Close to the customer - more driven by direct orientation to customer needs than by technology ...

2. Autonomy and entrepreneurship - excellent companies have "an ability to be big and yet to act small at the same time ... they encourage the entrepreneurial spirit among their people, because they push autonomy markedly far down the line". They have very open, informal communications, which are actively supported in material and physical ways ...

3. Productivity through people - workers are treated with respect. People are seen as assets, source of productivity and quality. There is a feeling of 'family' ...

4. Hands-on, value-driven - clear about what they stand for, everyone understands and is driven by the values, which are almost always stated in qualitative, rather than quantitative, terms ...

5. Stick to the knitting - Acquisition or internal diversification for its own sake is not one of the characteristics of excellent companies. They must stick to the knitting - do what they know best ...

6. Simple form, lean staff - A guiding principle in excellent companies is to keep things simple and small ... It is not uncommon to find a corporate staff of fewer than 100 people running a multi-million-dollar enterprise ...

7. Simultaneous loose-tight properties - self-control is emphasised, through shared values which guide voluntary behaviour, rather than complex, rigid control systems. Actions are judged according to the impact they have had on quality and customer perceptions."

Peters and Waterman comment that all their "excellent" companies were "brilliant on the basics".

Many had had a strong leader at an early stage in forming their "cultures of excellence". The importance of a strong, shared culture was paramount in achieving success: "Without exception, the dominance and coherence of culture proved to be an essential quality of the excellent companies. Moreover, the stronger the culture and the more it was directed toward the marketplace, the less need was there for policy manuals, organization charts, or detailed procedures and rules. In these companies, people way down the line know what they are supposed to do in most situations because the handful of guiding principles is crystal clear" (Peters and Waterman, 1982).

Hope and Hendry (1995) show how these principles apply to organisation structure and function: "The argument advanced by the 'excellence' literature was that autonomous project teams and strategic business units could be given license to innovate in the confidence that their adherence to corporate values would prevent them from acting against the interests of the company. Thus, by prescribing shared values, appropriate behaviour would then emerge in such a way that rules and regulations, in the form of corporate policies and procedures, would become unnecessary. In so doing, innovation would flourish through the twinning of freedom and control". Or, as Payne (1991) puts it, "the value of a strong culture lies in the fact that behaviour is controlled by the members themselves".

Peters and Waterman's findings are consistent with those reported by Deal and Kennedy (1982), who gathered data on "nearly eighty" organisations by interviewing McKinsey consultants who had worked with them. They found that only twenty-five had "clearly articulated beliefs". Of these, "a surprising two-thirds had qualitative beliefs, or values, such as 'IBM means service'. The other third had financially oriented goals that were widely understood. Of the eighteen companies with qualitative beliefs, all were uniformly outstanding performers; we could find no correlations of any relevance among the other companies - some did okay, some poorly, most had their ups and downs. We characterized the consistently high performers as strong culture companies."

Hofstede (1991) gives some rather lukewarm support for Peters and Waterman's findings: "One of the main claims from Peters and Waterman's book ... is that 'strong' cultures are more effective than 'weak' ones. A problem in verifying this proposition is that in the existing organizational/corporate culture literature one will search in vain for a practical [operational] measure of culture strength."

In his own research Hofstede takes strong to mean homogeneous and weak to mean heterogeneous [varied within unit]. Homogeneity was significantly correlated with results orientation. "To the extent that 'results oriented' stands for 'effective', Peters and Waterman's proposition about the effectiveness of strong cultures has therefore been confirmed in our data". However, the implication in Peters and Waterman that there is 'one best way' towards excellence was not supported by Hofstede's research: "The results of the IRIC study refute this. What is good or bad depends in each case on where one wants the organization to go, and a cultural feature that is an asset for one purpose is unavoidably a liability for another."

Whether or not Peters and Waterman were justified in designating certain companies as "excellent" in the early 1980s, it is notable that the majority of them failed to maintain their performance. Kennedy (1991) notes that "five years after the book's publication, two-thirds of those companies had hit trouble in varying degrees. Only 14 could still be classified as excellent by the original criteria". Kennedy also reports that "Peters & Waterman individually concluded that nothing in today's chaotic business environment stays the same long enough for excellence of the sustained type possible before 1982 to be developed." Cramer (in Cramer and Hamel, 1997) interviewed Tom Peters and quotes him as follows: "It was a brutal, upfront attack on American management and McKinsey thinking. Okay it was 75 percent about islands of hope but that was what they were: exceptional. I consider *In Search Of Excellence* a bad news book".

Peters and Waterman are not, of course, the first management theorists to have their ideas subsequently questioned. However, like other innovative thinkers they have stimulated much further discussion, research and experiment. Kennedy (1991) remarks that "they illuminated many issues, such as corporate culture and values, which are just as valid today as in 1982". Drucker (1987) comments: "The strength of the Peters book is that it forces you to look at the fundamentals. The book's great weakness - which is a strength from the point of view of its success - is that it makes managing sound so incredibly easy. All you have to do is put that book under your pillow, and it'll get done".

Gordon (1985) uses material "collected by Hay Associates in hundreds of companies from 1970 to the present" including responses from "over 50,000 managers and professionals in over 500 organizations". "In our surveys we have systematically collected the *perceptions* of

individuals in the top four or five levels of management about how their companies operate. They are not asked whether or not they are 'satisfied' with aspects of their job environments or whether their expectations about the organization are being met. Rather, their perceptions of how their companies function reflect the value systems or cultures of these companies as seen through management's eyes." From this material, Gordon is able to detect a significant difference in the focus of attention between the more successful and less successful organisations:

"The research relating industry characteristics, cultural patterns, and performance strongly suggests that there is no one 'winning culture'. Rather, factors such as the characteristics of the industry and the marketplace and the diversity, size, and market position of the organization define the broad outlines of an appropriate culture. ... Within these broad, industry outlines, the most successful companies tend to place a higher value on somewhat different factors than do those that are less successful. For instance, we find the most successful utilities placing more emphasis on defining individual performance expectations. This contrasts sharply with dynamic-market companies, in which the most and least successful are differentiated mostly by the extent to which managers perceive the company as setting its sights very high."

Denison (1990) conducted a two-stage study into "the impact that organizational culture can have on performance and effectiveness over time". The first part took "a quantitative approach and relies on a research design, standardized instrumentation, and a set of research procedures, applied in a comparable fashion to a set of 34 organizations". This enabled Denison to present "a set of statistical generalizations about the impact of various aspects of an organization's culture on performance over time". In the second stage Denison examined five of these organisations in detail through a series of case studies that focused "on the history and background of each corporation, and the firm's culture, management practices, and effectiveness". Denison first defines four principles, or hypotheses, by which culture influences effectiveness, "drawing on both the popular and the academic literature". The first is "the involvement hypothesis" which argues that "high levels of involvement and participation create a sense of ownership and responsibility. Out of this ownership grows a greater commitment to the organization and a lesser need for an overt control system. Voluntary and implicit normative systems ensure the coordination of behavior, rather than explicit bureaucratic control systems." The results of the study "provide support for the idea that both formal

and informal sources of involvement contribute to organizational effectiveness."

Denison's second principle is "the consistency hypothesis" which argues that "a shared system of beliefs, values, and symbols, widely understood by an organization's members, has a positive impact on their ability to reach consensus and carry out coordinated actions. The fundamental concept is that implicit control systems, based on internalized values, are a more effective means of achieving coordination than external control systems that rely on explicit rules and regulations." The study showed that "high consistency is associated with high performance in the short term, but is not a predictor of high performance over a longer period of time. In some cases, the evidence may even suggest that high consistency results in lower performance in the future."

The third principle is "the adaptability hypothesis" : "three aspects of adaptability are likely to have an impact on an organization's effectiveness. First is the ability to perceive and respond to the external environment [including customers and competitors]. ... Second is the ability to respond to internal customers. ... Third, reacting to either internal or external customers requires the capacity to restructure and reinstitutionalize a set of behaviors and processes that allow the organization to adapt." The results of the study show "the evidence for the impact of adaptability on effectiveness is ... limited, but encouraging."

The fourth and last of Denison's principles is "the mission hypothesis". "First, a mission provides purpose and meaning, as well as a host of noneconomic reasons why the work of an organization is important. Second, a sense of mission provides clear direction and goals that serve to define the appropriate course of action for the organization and its members. Both of these factors grow out of and support the key values of the organization." The study showed that "the impact that the leadership ideals have on performance suggests that a vision or desired state can have an impact on an organization's effectiveness beyond what might be attributed to actual leadership practices. In addition, measures of job clarity and goal emphasis are also good predictors of organizational performance, and seem to point to the impact that a strong sense of direction can have."

Drawing on these findings Denison concludes that "effectiveness [or lack of it] is a function of the values and beliefs held by the members of an organization."

Kotter and Heskett (1992) conducted a series of studies over three and a half years "to determine whether a relationship exists between a corporate culture and long-term economic performance". Initially, they picked 207 firms from twenty-two different US industries and measured economic performance using variety of methods. Culture strength was measured using questionnaires. "Within the limits of this methodology, we conclude from this study that there is a positive relationship between strength of corporate culture and long-term economic performance, but it is a modest relationship. The statement 'Strong cultures create excellent performance' appears to be just plain wrong."

They examined examples of strong cultures to check the reason for this, and conclude that strong cultures "can lead a firm into decline as well as success. ... Extreme cases of this may be very rare, but [the evidence] suggests that mild examples of this phenomena [sic] are not at all unusual". They then examined the "culture/environment fit" of twenty-two of the original 207 firms, from ten industries. Twelve firms "significantly outperformed the other matched group of ten" over the period of the study. They questioned seventy-five industry analysts on whether specific firms' cultures helped, hindered, or had no effect on their performance. "They overwhelmingly felt that culture helped the twelve high-performing companies. In most cases they also felt that culture hurt the lower performers. ... Every one of the lower performers in our sample was reported to have had a significantly better culture/environment fit at an earlier time".

They then went on to ask the analysts to rate, on a scale of 1-7 "how much does the [firm's] culture value excellent leadership from its managers?" Higher-performing firms averaged 6.0, lower performing ones averaged 3.9. Kotter and Heskett comment "*Within the constraints of this methodology, the message from the data is clear. In the firms with more adaptive cultures, the cultural ideal is that managers throughout the hierarchy should provide leadership to initiate change in strategies and tactics whenever necessary to satisfy the legitimate interests of not just stockholders, or customers, or employees, but all three.* In less adaptive cultures, the norm is that managers behave cautiously and politically to protect or advance themselves, their product, or their immediate work groups."

Among the more general conclusions Kotter and Heskett advance are the following:

"We found that firms with cultures that emphasized all the key managerial constituents [customers,

stockholders, and employees] and leadership from managers at all levels outperformed firms that did not have those cultural traits by a huge margin".

"Performance-degrading cultures have a negative financial impact for a number of reasons, the most significant being their tendency to inhibit firms from adopting needed strategic or tactical changes".

"Cultures that encourage inappropriate behavior and inhibit change to more appropriate strategies tend to emerge slowly and quietly over a period of years, usually when firms are performing well. Once these cultures exist, they can be enormously difficult to change because they are often invisible to the people involved, because they help support the existing power structure in the firm, and for many other reasons".

"[Culture] change is complex. takes time, and requires leadership, which is something quite different from even excellent management. That leadership must be guided by a realistic vision of what kinds of cultures enhance performance - a vision that is currently hard to find in either the business community or the literature on culture".

Meek (1988) is critical of contemporary attempts to link types of organizational culture with success, and thereby to promote culture change/manipulation as a tool for improving business results. He maintains that "corporate success, particularly economic success, is dependent far more upon external environmental influences and the vagaries of the market place than on internal interpersonal dynamics". Kilman et al (1985), however, are in no doubt, declaring: "an important assumption guiding all our discussions on this topic, therefore, is that culture *does* affect organizational behavior and performance". They "find it useful to distinguish three interrelated aspects of impact". "Direction" refers to the influence culture has on the "course" the organisation follows, and whether it contributes to or detracts from achieving the goals the organisation has set itself. "Pervasiveness" refers to the "degree to which the culture is widespread, or shared among the members of the group", and "Strength is the level of pressure that a culture exerts on members ... Do members feel compelled to follow the dictates of the culture or do they feel that the culture only mildly suggests that they behave in certain ways."

This, as Johnson and Gill (1993) put it, "brings us to a paradox in much management literature". "A shallow understanding of social organization and its culture, as put forward in a number of popular management books, is probably as unhelpful to managing culture as no understanding at all. It may well be at odds with the very managerial objectives

being pursued. However, a deep understanding of organizational culture as a precursor to influencing it with subtlety runs counter to the current vogue articulated by the culture gurus such as Peters and Waterman. It also runs counter to the prevailing managerial values of being biased towards direction, firm action and speedy decision-making - that is, it runs counter to one of the principal values held by managerial culture."

Payne (1991) maintains that "cultures are essentially about the control of people's behaviour and beliefs; ultimately they are about the control of people's behaviour". Culture also "plays a crucial role in influencing how people respond to attempts at controlling their behaviour" (Johnson and Gill, 1993). Johnson and Gill trace the rationale of current management literature to: "either ... a concern to analyse and replicate what are assumed to be the adoptable aspects of Japanese organizations' apparent competitive edge ... or ... an attempt to seek out indigenous [mainly to North America] 'excellent' management practices (eg Peters and Waterman, 1982). Regardless of the source of inspiration, the effect has been to cultivate a fixation with culture and charismatic leadership as the determinants of entrepreneurial success." and refer to the "new wave" view that "if the appropriate values and attitudes are internalized, a common sense of purpose or 'moral involvement' [activated through emotion and sentiment] develops, which makes the constant surveillance of employees as a form of control redundant."

Wilmott (1993) compares attempts to control and manipulate culture with totalitarian government control of thought processes, as in Orwell's *1984*. He suggests that "The effect of humanistic doctrines is inevitably double-edged. Their purpose is to enrol employee subjectivity into the productive process - not by forcing employees to relinquish control [as in Theory X] but by conferring upon them 'self-motivated individuality'."

If these interpretations of culture as behaviour control are substantially valid, then Coopey's (1994) summary appears to be justified:

"So little, after all, seems to have changed Workers are still treated as 'factors of production' Perhaps the only difference is in the attempts made by the directors of companies with HRM strategies to convert workers through both ideology and direct control, the Bible as well as the whip. Such behaviour may stem in part from the conflicting lessons that Western managers have learned from studying Japanese business success in securing global competitive advantage. On the one hand, they

seem to see the need for less adversarial and cooperative relationships with workers, on the other hand, they are confirmed in their need to restore managerial prerogatives".

- a view of employee status noted by Denison (1990): "Conventional systems of management and accounting do little to acknowledge the impact that the effective management of human assets has on performance. People are treated as expenses rather than assets, and are thus managed with an eye to reducing costs rather than increasing return on assets."

Hope and Hendry (1995) are dubious about the efficacy of culture as a form of management control in the context of "organisational attempts to unleash innovation, flexibility, and an entrepreneurial spirit".

"However, corporate culture as a metaphor for an emergent form of community spirit and sense of belonging may prove to be a valuable antidote to the cynical, demoralised workforce who are increasingly being told to 'go it alone'. This is particularly pertinent as it is unlikely that this cynicism will be ameliorated by exhortations to take on values such as integrity and honesty. However, such cynicism may be reduced by staff and management working together to devise new forms of work patterns [and therefore behaviours] appropriate to the needs of the late 1990s. From this process, shared personal values may once again emerge, rather than be imposed dogma-like by senior managers or commercial corporate culture gurus" (Hope and Hendry, 1995).

This balanced view is given some support by Johnson and Gill (1993): "The main criticism of those who advocate cultural control is that it is not possible to manage and control cultures closely by their very nature and, further, that the more extreme and mechanistic prescriptions for managing cultures are, then, often the more manipulative, coercive and patronizing and these are likely to be counterproductive in the longer term."

O'Reilly (1989) gives a "generic definition" of control systems as "the knowledge that someone who knows and cares is paying close attention to what we do and can tell us when deviations are occurring" which "encompasses traditional formal control systems ranging from planning and budgeting systems to performance appraisals". Johnson and Gill (1993) refer to "administrative controls" which are "those mechanisms, techniques and processes that have been consciously and purposefully designed in order to try to control the organizational behaviour[s] of other individuals, groups and organizations".

Foremost among such controls are formal rules and procedures. According to Johnson and Gill "most large organizations use such normative means to regulate members' behaviour". or to "pre-specify what members should and should not do in particular situations". For such an approach to work, extensive monitoring systems are needed, "behaviour with attendant sanctions so as to ensure members' compliance". By such means managers in organisations seek to create situations "in which people are more likely to behave in ways that lead to the attainment of organizational objectives"

"The development of rules, procedures and the various types of output control described above may be seen as purposeful attempts at ensuring that subordinates' behaviour at work is dominated by the objectives and priorities of hierarchical superiors. This is often called 'goal congruence' However, such overt forms of administrative control cannot achieve completely the aim of regulating subordinates' behaviour to attain goal congruence Moreover, where outputs are unmeasurable in any meaningful sense, and where tasks are unpredictable, either form of administrative control will be inappropriate" (Johnson and Gill, 1993).

Such direct and simplistic methods are inappropriate "when tasks are complex and unpredictable". In such cases "it is impossible to create predetermined rules to regulate members' behaviour". It may also be the case that, "as a result of some basic characteristic of the work being done, it is not possible to predict or calculate the means by which ends may be achieved or to pre-programme, by creating rules and procedures, what members should do, how, where and when." There may be "many activities undertaken in organizations" for which it "may be crucial to allow members to exercise their own discretion". Johnson and Gill also cite the often-observed difficulties with rule-based systems, that "the strict observation of rules can become an end in itself, thereby often subverting the original objectives the rules were intended to enable". For these reasons, Johnson and Gill tend to favour the use of "output control" systems, in which managers focus on what is produced rather than behaviours, as a response to this difficulty.

O'Reilly (1989), however, adopts a more contingency-focused approach. He cites the example of hospital work, where "it makes no sense to evaluate the nursing staff on whether patients get well" so monitoring is on the use and application of procedures. Sales people may not be observed doing their jobs, and are typically measured on results, although some retail sales people may be measured on both behaviours and

results. "However, it is often the case that neither behavior nor outcomes can be adequately monitored. These are the activities that are nonroutine and unpredictable, situations that require initiative, flexibility, and innovation. These can only be dealt with by developing social control systems in which common agreements exist among people about what constitutes appropriate attitudes and behavior". In such cases direct controls are replaced by attempts to regulate values, beliefs and attitudes, an approach which Wheatley (1994) sees as progress towards a more natural ordering of social life:

"New science is also making us more aware that our yearning for simplicity is one we share with natural systems. In many systems, scientists now understand that order and conformity and shape are created not by complex controls, but by the presence of a few guiding formulae or principles. The survival and growth of systems that range in size from large ecosystems down to tiny leaves are made possible by the combination of key patterns or principles that express the system's overall identity and great levels of autonomy for individual system members."

Stacey (1991), however, is concerned that this approach may be self-defeating in organisations' quest for innovation and growth: "Since self-organization theory shows that innovation arises in conditions of instability, it means that business success is dependent upon a lack of consensus: different cultural values and perspectives. And because innovation arises out of chaos through a process of self-organization, success depends upon spontaneity and individual initiative in an organization." He cites the examples of "some Japanese companies" which "purposely provoke instability". "Organisations like Sony, which allow people to go so far down the road of developing a product before the top is involved, are bound to exhibit instability. And such instability is not an unfortunate, unintended consequence of innovation: Honda hires large groups of managers in mid career from other organisations intentionally to create countercultures. Honda encouraged contention."

This runs counter to the tone detected by Smircich (1983), in which "the talk about corporate culture tends to be optimistic, even messianic, about top managers molding cultures to suit their strategic ends". Wheatley (1994) is in no doubt that traditional, linear approaches to control are unlikely to meet the needs of modern organisations: "The intent is not to find the one variable or set of variables that will allow us to assert control. This has always been an illusion anyway. Rather, the intent becomes one of understanding movement

based on a deep respect for the web of activity and relationships that comprise the system".

The discussion of control leads on to consideration of the controllers; those senior people in organisations designated *leaders*. According to Schein (1985), "organizational cultures are created by leaders, and one of the most decisive functions of leadership may well be the creation, the management, and - if and when that may become necessary - the destruction of culture". Northouse (1997) provides some support for this view in his examination of Leader-Member Exchange theory [LMX]. He reports that "subsequent studies of LMX theory were directed toward how leader-member exchanges affected organizational performance. Researchers found that high-quality exchanges between leaders and followers produced multiple positive outcomes [eg, less employee turnover, greater organizational commitment, and more promotions]. In general, researchers determined that good leader-member exchanges resulted in followers feeling better, accomplishing more, and helping the organization prosper."

In such cases it can be argued that the leaders are, in a very practical sense, "managing culture" by reinforcing what they perceive to be appropriate behaviours in the course of these "exchanges". Cleland (1994) argues that "in today's environment ... it is necessary to have good ideas from every person in the organization" and an encouraging, reinforcing leadership style is essential: "those people whose management styles suppress and intimidate are not needed". Northouse (1997) agrees: "Leaders who use coercion are interested in their own goals and seldom are interested in the wants and needs of subordinates. Using coercion runs counter to working with followers to achieve a common goal."

Wheatley (1994) describes leadership as "an amorphous phenomenon that has intrigued us since people first began studying organizations". She too is concerned with the "relational aspects" of leadership and control. Schein (1985) believes that leadership and culture are inextricably linked: "Culture and leadership, when one examines them closely, are two sides of the same coin, and neither can be understood by itself. In fact, there is a possibility - underemphasized in leadership research - that the *only thing of real importance that leaders do is to create and manage culture* and that the unique talent of leaders is their ability to work with culture." (Schein, 1985).

McGregor (1960), writing before the term *culture* entered the everyday management vocabulary,

advises that "there are at least four major variables now known to be involved in leadership" and that the "personal characteristics required for effective performance as a leader vary, depending on the other factors". These interacting variables are: [1] the characteristics of the leader; [2] the attitudes, needs, and other personal characteristics of the followers; [3] characteristics of the organization, such as its purpose, its structure, the nature of the tasks to be performed; and [4] the social, economic, and political milieu.

Bryman (1986) defines leadership as "the creation of a vision about a desired future state which seeks to enmesh all members of an organization in its net". Deal and Kennedy (1982) regard "vision" as an attribute of heroes, rather than managers, although leaders could, of course, be either: "The one quality that more than anything else marks a manager is decisiveness, but heroes are often not decisive; they're intuitive; they have a vision. They don't make decisions, except one: does it fit the vision or not?"

Stacey (1992) sees no evidence for the role of vision in organisational success, and is dismissive of the concept: He believes that a focus on vision as a leadership attribute is inherently unhealthy because "the advice on visions places a tremendous and unrealistic burden on the 'leader'. It perpetuates the myth that organisations have to rely on one or two unusually gifted individuals to decide what to do, while the rest enthusiastically follow. This advice perpetuates cultures of dependence and conformity that actually obstruct the questioning and complex learning which encourages innovative action."

Culture and the individual

According to Schein (1985) "the individual in a social context has basically three primary needs". First, a need to belong to or in a group and "to know his/her role". Second, a need for control, power and influence: "the need to feel powerful and appropriately independent of others while still retaining membership in a group". Third, acceptance and intimacy - "personal acceptance above and beyond the basic need for inclusion". The social context represented by the workplace is potentially capable of satisfying these needs, fully or partially, provided that the organisational culture is reasonably compatible with the individual's personality. Hofstede (1991) defines personality as a "unique set of personal programs which [s]he does not share with any other human being" which is partly inherited and partly learned through

personal experiences and the "influence of collective programming", or culture. This suggests that this compatibility is not fixed, nor is the relationship between culture and personality a linear one.

Jung (1978) argues that "our personal values serve as a guide in our decision making so that we strive to select choices that fulfil our personal meanings and goals". This inevitably shapes an individual's willingness to become included in a cultural setting, and the interpretations that individual subsequently puts upon events within the culture. "Employees have thousands, if not millions, of seemingly isolated experiences as they go about their work. But these experiences do not remain isolated. The experiences are clustered according to the meaning employees give them. These clusters of events and experiences result in climate perceptions" (Schneider, Gunnarson and Niles-Jolly, 1994).

Similarly, organisations strive to select employees who fit the culture, or influence people to adapt to the culture, rejecting those who people who cannot or will not fit in. "People in organizations become similar in their beliefs, values, and behaviors. When organizations recruit, they often seek a person who fits the culture [Selection]. People who don't fit that mold initially can be socialized to change their behavior through training and performance management [Adaptation]. Those failing to assimilate over time will leave because they are uncomfortable behaving in another way or because the organization forces them to [Attrition]. The Selection-Adaptation-Attrition cycle creates a certain degree of homogeneity in member values and behavior. This similarity creates a shared view of the organization and people's role in it" (Rousseau, 1995).

As well as underlying values, fitting-in may be a function of learning appropriate acceptable behaviours. "In one sense ... we can say that the nature of a culture is found in its social norms and customs, and that if one adheres to these rules of behavior one will be successful in constructing an appropriate social reality" (Morgan, 1986). Warning that this can be far from simple, Morgan describes the complexity of "taken-for-granted skills". He illustrates his point by suggesting the deliberate disruption of some normal social interactions, for example, staring a stranger in the eyes, or behaving in a neighbour's house as if it were your own. "In each case you will gradually discover how life within a given culture flows smoothly only insofar as one's behavior conforms with unwritten

codes. Disrupt these norms and the ordered reality of life inevitably breaks down."

Morgan points out that simply knowing the "rules" is not enough because the rules are incomplete. A wide background knowledge to give the rules context is also necessary. Maintaining one's place within the culture is, therefore, not automatic, and the possibility of losing the means of satisfying one or more of Schein's "three primary needs" is likely to be a source of some anxiety. The formation of groups is, in any case, a process which involves anxiety on the part of members (Tuckman and Jensen, 1977). Schein identifies three kinds of anxiety, all of them related to the individual's place within the social context. The highest level of anxiety, "primary existential anxiety" is concerned with the need to understand how everything fits together, what is going on and the individual's own place in it all, because "basic survival depends on the ability to categorize and predict environmental events". Schein maintains that "the ultimate source of anxiety for a human being is cognitive overload". Schein's secondary form of anxiety is role-related, and is concerned with the dangers associated with performing a task or role. These could be physical, but include other types of risk, such as the risk of losing control. Tertiary anxiety "refers to the pain and consequent anxiety that derives from the very mechanisms designed to avoid primary and secondary anxiety".

For many management-level employees in the UK, the risk of being permanently isolated from the workplace, through losing a job, is a significant source of anxiety. Kessler and Undy (1996) report on "a major telephone survey carried out on behalf of the IPD and Templeton by Harris Research Centre in July 1995 of a representative sample of over 1000 private and public sector employees [and] a series of 10 case studies based upon a range of private and public sector organisations". 57% of survey respondents worked in organisations where there had been redundancies and 75% in organisations where there had been restructuring. Restructuring could, of course, result in exclusion from familiar social contexts. New technology and new work practices, which affected 85% and 79% of survey respondents respectively, also have the capability of damaging individuals' confidence in their place and role within a group.

A survey of 563 senior managers by Ashridge Management College (Ashridge, 1996) showed that half of the organisations surveyed had reduced layers of management, broadly supporting the IPD results. Where this has been done, managers complained of an increased burden of trivial tasks.

This change in job content also has implications for an individual's role and place in the social context. Many of the Ashridge respondents expressed the view that downsizing and restructuring had been badly handled and led to reduced efficiency. Cost cutting was widely believed to have gone too far, threatening innovation and development.

Kessler and Undy (1996) argue from the IPD survey that "a history of redundancy or lay-offs in the workplace is shown to be by far the most important negative influence on relations in employing organisations." These negative effects on relations between employees involved, directly or indirectly, in these situations and their organisations were explored by Hallier and Lyon (1996), who interviewed forty-two redundant engineering managers, twice during the eight weeks following warning of redundancy, then three more times at three- to four-month intervals.

They identified four categories of response: "the reprieved, the dissociated, the converted and the dispossessed". The reprieved were found new, less senior, management jobs, and responded with enthusiasm for their new roles. They showed little concern over having been initially selected for redundancy, although they did retain some resentment for individual senior managers. The dissociated included some who accepted demotion to non-management roles to avoid redundancy. They reacted with resentment, humiliation and anger, and some anxiety at having to learn new skills. Six months later they were no longer angry but they were disillusioned and no longer willing to rely on the employer. Similar feelings were observed in those who found management jobs in other companies. They felt even less secure than those who had accepted demotion. The converted were those who took longer - between four and eleven months - to find other jobs. They showed cautious commitment to their new employers, reluctance to take on extra work and greater concern for home and family needs. They were also more sympathetic to subordinates. The dispossessed were those who did not succeed in finding other work. They expressed bitterness towards their former employer, regret at the sacrifices they had made for work demands, and reduced self-image.

The anxiety associated with these risks appears to have increased over recent years although the risks themselves may have not, objectively, have increased. "A computer trawl through Britain's national newspapers from last year found 2,778 stories on insecurity in general and 977 on job insecurity in particular - that's nearly three a day.

Ten years earlier, when unemployment in Britain was substantially higher, a similar search found only 234 stories on insecurity, and just 10 on job insecurity" (Smith, 1997). Smith refers to statistics on job tenure in the UK: and finds that "the average length of time people remain in a job ... has barely changed in 20 years". Men do change jobs a little more frequently, but women rather less frequently. Tenure has "actually risen quite significantly during the 1990s".

Guest, Conway, Briner & Dickman (1996) report a survey carried out by Harris in July/August 1996 of a thousand people working in organisations with more than twenty-five employees, a restriction which they acknowledge "means the sample contained considerably fewer part-time workers than we would find in the working population as a whole". Although 24% of respondents "have experience of redundancy" only 14% thought it "at all likely" that they would be made redundant in the next two years and only 12% said they were worried about this possibility. 81% "believe that on the whole they are fairly treated by their employer" and 72% "have some trust in their organisation to keep its promises and commitments". This is broadly consistent with the view expressed by Coopey (1994), who cites selected research findings to suggest that in the UK two out of three workers have "a positive orientation to work" and about one in three are "highly involved in their job" although very few have a "strong commitment to the organisation for which they worked".

The risks discussed above are largely risks to the individual that result from the exercise of power by the organisation, or its representatives. Meek (1988) maintains that "Organizations have access to the three primary instruments of power: condign power [physical], compensatory power [economic], and conditioned power [belief]". According to Galbraith, conditioned power is the most important in modern industrial society, and organization is the locus of conditioned power. It is through "persuasion, education. or the social commitment to what seems natural, proper or right' that the corporation, educational institution, church and the state ' cause the individual to submit to the will of another or others" Galbraith (1983).

Power exercised in this way, through "'persuasion, education. or ... social commitment" -or, loosely, culture, - has a limiting effect on the power available to individual managers to exercise on a more personal scale:

"Indeed, if management style is constrained by notions of the Hewlett Packard way of doing things ..., or the Allied Dunbar approach ..., then the power

of individual managers to develop, motivate, influence and negotiate with peers, bosses or subordinates, may be reduced. For the new managerial behaviour requires an investment of 'self' rather than dogged mimicry of behaviour or values set down in a corporate handbook. If the self is not engaged then the power is reduced, for the required behaviour is distanced from the person itself" (Hope and Hendry, 1995).

Stacey (1992) has some concerns about the use of power:

"The application of power in particular forms has fairly predictable consequences for group dynamics. Where power is applied as force and consented to out of fear, the group dynamic will be one of submission. Or where such power is not consented to, the group dynamic will be one of rebellion, either covert or overt. If an organisation faces a clear threat, then the use of power as force may well produce the desired results. But where the organisation faces an ambiguous open-ended future, the application of force is disastrous. Groups in states of submission or rebellion are incapable of the complex learning which is the development of new perspectives and new mental models. Innovative new strategic directions are highly unlikely to emerge from such groups: all the energy will go into fighting and avoidance."

It is at least arguable that the purest form of power may be that which is exercised vicariously because beliefs, norms and values have been *internalised* (Kelman, 1958), which itself "generates certain modes of behaviour" (Johnson and Gill, 1993). This has a much stronger influence on actual behaviour, which is the purpose of the exercise of power, than either of Kelman's other levels of conformity. *Identification* is conforming behaviour as a "response to social influence brought about by a desire to be like the people who are exerting the influence". This "involves emotional gratification" but "does not necessarily involve the individual developing internal moral imperatives"(Johnson and Gill, 1993). *Compliance* involves acting in deference to a social norm or overt instruction, but without any change in personal values or attitudes, and typically does not persist after the influence is removed. Thus, even though perhaps "to the institution it seems easier to motivate through fear of hygiene deprivation than to motivate in terms of achievement and actualizing goals" (Herzberg, 1966) this is organisationally a dangerous strategy because "indifference or compliance is a form of passive aggression. People who leave their minds at home and bring their bodies to work will destroy us" (Block, 1993).

W E Deming was credited with being the person responsible for the Japanese economic success

after World War II. Bechtel (1997) describes how Japanese Emperor Hirohito honoured Deming as "a national treasure" and gives a translation of the wording on the award as "The Japanese people attribute the rebirth of Japanese industry and its worldwide success to W. Edwards Deming". Deming (1986) is quite certain that it is essential to "drive out fear" if organisations are to succeed, because "No one can put in his best performance unless he feels secure. ... *Secure* means without fear, not afraid to express ideas, not afraid to ask questions. Fear takes on many faces. A common denominator of fear in any form, anywhere, is loss from impaired performance and padded figures." Similarly Handy (1990) argues that "a culture of excitement, of question and experiment, of exploration and adventure cannot survive under a reign of fear."

Deming (1986) reports several examples of faulty figures attributable to fear. In one, a suspiciously regular return of defective parts was found on inspection. Enquiries showed that the workforce believed that the factory manager would close the plant if defects reached 10%. The inspector ensured that his reports never quite reached this level. Deming comments: "where there is fear there will be wrong figures. An organization runs along the perception that its people hold in their heads. It matters not at all whether the manager would actually close the place down at 10 per cent defective." In another example "A department had failed miserably for months to produce enough items for the market. ... [Enquiry found] inspectors overpowered with fear. They had taken the idea into their heads that if the customer found an item to be faulty, the inspector that passed the item would lose his job. As a consequence, the inspectors held up almost the total output. They were incorrect about the consequences of passing a faulty item, but it is rumor that runs an organisation."

Deming is equally dismissive of some very common management techniques, such as management by objectives: "Management by fear would be a better name The effect is devastating: It nourishes short-term performance, annihilates long-term planning, builds fear, demolishes teamwork, nourishes rivalry and politics." and performance appraisal which, he says, "leaves people bitter, crushed, bruised, battered, desolate, despondent, dejected, feeling inferior, some even depressed, unfit for work for weeks after receipt of rating, unable to comprehend why they are inferior. It is unfair, as it ascribes to the people in a group differences that may be caused totally by the system that they work in."

In its most negative form, the exercise of power may amount to bullying, which Spiers (1996) describes as "a form of harassment, ... the misuse of power - to persistently criticise and condemn, openly humiliate and professionally undermine an individual's professional ability." Spiers goes on to maintain that bullying at work is "a sustained form of psychological abuse and often emanates from a senior person taking what he believes is 'a strong line' with employees. There is, however, a fine line between strong management and bullying. In organisations that pride themselves on strong management, bullying can become part of the company's culture and is accepted by employees as such."

Compton-Edwards (1996) reports a survey of 1007 UK workers conducted for IPD by Harris in September 1996. This found that one in eight UK workers are victims of bullying and only 28% thought their organisations disapproved of bullying, although 84% of respondents thought bullying was "never justified". "Significantly, it is not junior employees who are most likely to be targeted by bullies, but managerial and professional staff. Almost a quarter of middle managers and 18% of professionals surveyed ... say they have been bullied in the last five years - in most cases by the head of department or the managing director." Eight per cent of respondents reported cases of actual physical assault, but more common examples of bullying were "unfair and excessive criticism, publicly insulting the victim, ignoring their point of view and constantly changing or setting unrealistic targets ... constant undervaluation of their efforts ... and shouting or abusive behaviour." (Compton-Edwards, 1996)

Vartia (1996) conducted similar research in Finland, surveying 1577 members of a Finnish municipal employees' union, receiving 949 valid responses of which 85% were from women, which reflects union membership. 10.1% believed they were bullied and 8.7% "were observers". Vartia detected "no differences between men and women" victims. The atmosphere in workplaces where bullying occurred was described as "strained and competitive". Vartia found that "authoritative ways of settling differences of opinion" were associated with bullying" and that negative attitudes towards innovation were associated with workplaces where bullying occurred. "Regarding the psychological work environment, especially the lack of possibilities to influence matters concerning oneself, poor flow of information at work, and lack of mutual conversations about tasks and goals, proved to associate strongly with bullying. ... The

anticipation of forthcoming big changes at work seemed to promote bullying" (Vartia, 1996).

Spiers (1996) suggests a relationship between bullying and insecurity on the part of the bully: "bullies need to be in control. They may, in fact, feel particularly insecure about their own job and take that out on their employees", and it is not always the superior that bullies the subordinate: "In some cases ... the subordinate, who feels his qualifications and expertise are superior, can be seen to be provoking the manager. In such a case, the manager will feel that his job is under threat." In either case, "victims can become so fearful that their confidence crumbles and they lose belief in themselves" (Spiers, 1996).

Worman (1997) comments: "Harassment extracts a high price from employees and employers alike. Employees can be subject to fear, stress and anxiety, which can put great strains on personal and family life". Harassment can lead to illness, absenteeism, an apparent lack of commitment, poor performance and resignation. The damage, tension and conflict which harassment creates should not be underestimated. The result is not just poor morale but higher labour turnover, reduced productivity, lower efficiency and divided teams."

Spiers (1996) observes that bullying may be accepted in some cultures: "They may also be subjected to bullying behaviour from above and then subject their own employees to such behaviour." Where employees come to believe that such behaviour is either explicitly or implicitly required of them, there is evidence that personal reservations may be over-ridden. Several well-known studies of compliant behaviour support this contention.

Hofling et al (1966) describe how experimenters posing as doctors telephoned nurses to ask if certain drugs were available on the ward. When availability was confirmed, the 'doctors' instructed the nurses to administer the drugs to patients. This broke several regulations: the drug concerned was not authorised for the ward, the nurses did not know the doctors concerned, and instructions to administer medication should not have been given by telephone. 95% of nurses poured the drug and were about to administer it to patients before being stopped by experimenters. Hofling et al note that disobedience would have been difficult for the nurses because doctors had considerable power and influence and could affect nurses' careers. Also, giving instructions by telephone, although against regulations, was common practice and doctors often became angry if nurses objected.

Milgram (1973) conducted a series of experiments in which subjects were required to give other supposed subjects electric shocks of increasing severity [the supposed recipients of the shocks were actually experimenters, who did not in fact receive any shocks at all]. The majority of subjects were prepared to go on complying with instructions to administer shocks as recipients first complained, then screamed, then fell silent. Milgram observed considerable stress in the subjects, which he attributed to "moral strain". Two subjects who refused to go on administering shocks were observed to be very calm, suggesting to Milgram that their moral strain had been dealt with by their refusal - both had experienced life under Nazi occupation.

Haney, Banks and Zimbardo (1973) used twenty-one male volunteers, vetted for emotional stability, and selected nine, at random, to act as 'guards' , the rest to be 'prisoners'. Added realism was achieved by having the prisoners 'arrested' at home by local police. They were then confined in 'cells' in a basement below Stanford University. Both prisoners and guards wore uniforms. The guards had sticks, but were forbidden to use violence. The experiment was designed to run for two weeks. After first two days both groups had taken up extreme roles, the prisoners becoming cowed and submissive and the guards exercising considerable psychological cruelty, inflicting punishments such as repeatedly waking-up at night, and refusing permission to use the toilet. The experiment was abandoned on the sixth day after several prisoners developed acute anxiety and depression.

These, especially the second and third examples, may appear to be extreme cases of compliance beyond what might be considered normal behaviour, but the researchers argue that they represented, at least at the time, typical responses. An account of extreme compliance at its most horrifying can be found in the report by Arendt (1963) of the trial in Jerusalem of Adolf Eichmann, who was responsible for organising the deportation and murder of six million Jews in Europe. Arendt reports being struck by how ordinary Eichmann was - not especially anti-semitic or personally brutal. He saw himself as having a duty to obey the orders of his superiors in the most efficient and effective way possible.

In the workplace, this apparently normal human propensity to comply with the behaviour expected by a reference group is one of the factors which makes the phenomenon of culture possible.

The psychological contract

The term *psychological contract* has become part of management and organisational vocabulary over recent years. Rousseau (1995) defines it as "individual beliefs, shaped by the organization, regarding terms of an exchange agreement between individuals and their organization", and Schein (1980) regards it as "a powerful determiner of behavior in organizations", although it "remains unwritten".

There is general agreement in the literature that although the term "contract" is quite legitimate usage here, the psychological contract is a special kind of contract for several reasons, not least that "the essence of the psychological, as opposed to the economic, contract is that the expectations concern non-tangible, psychological issues" and is "to a large extent informal, and implicitly rather than explicitly understood. It is, therefore, essentially subjective" (Makin, Cooper and Cox, 1996).

Rousseau defines four types of contract: Psychological contracts are "beliefs that individuals hold regarding promises made, accepted, and relied on between themselves and another [employee, client, manager, organization]". Implied contracts are- "interpretations that third parties [eg, witnesses, jurists, potential employees] make regarding contractual terms." A normative contract is the "*shared* psychological contract that emerges when members of a social group ... , organization ... , or work unit ... hold common beliefs" and social contracts are "broad beliefs in obligations associated with a society's culture" or "*social contracts* are cultural, based on shared, collective beliefs regarding appropriate behavior in a society". It can be seen that the concept of a social contract within Rousseau's definition has implications for individual behaviour in the organisational context, and has much in common with definitions of culture discussed earlier.

Makin Cooper and Cox (1996) argue that an essential feature of all contracts is that they involve *exchange*. This is consistent with what Rousseau (1995) describes as a "universal norm ... of reciprocity". "This ancient and pervasive cultural belief has two minimal demands: People should help those who have helped them and should not injure those who have helped them This norm in effect requires the recipient to be grateful to the giver until repayment is made. Thus, both prosocial activities [giving, helping, supporting] and exchanges can create obligations between work groups or within organizations." Exchanges of this

type are not necessarily easy to define or quantify, however: "Economic exchanges ... are usually extremely formal and specific. Costs and benefits can be quantified, and are equated one to the other. In addition, they can be openly discussed and indeed may be made legally enforceable through formal procedures. Social exchanges, on the other hand, are far more complex and diffuse, and are generally not enforceable by law. This is not to say, however, that a form of contract does not emerge informally. It is apparent, therefore, that the concept of social exchange can be seen as a major contributor to the concept of the psychological contract" (Makin, Cooper and Cox, 1996).

Arnold (1996) makes very similar assertions: "Transactional contracts focus on material rewards, are short term or at least time limited, relatively narrow in scope, and publicly observable. ... Relational contracts ... focus on intangible as well as material rewards, are indefinite, wide-ranging, and subjective to the parties involved. Based on social exchange, these contracts involve long-term obligations based upon trust."

Rousseau defines the psychological contract as "an individual's belief regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party" (Robinson and Rousseau, 1994). A psychological contract emerges when one party believes that a promise of future return has been made [eg pay for performance], a contribution has been given [eg some form of exchange] and thus, an obligation has been created to provide future benefits. ... It is comprised of a belief that some form of a promise has been made and that the terms and conditions of the contract have been accepted by both parties".

If the term psychological contract is taken to refer specifically to some form of exchange agreement between an individual and an organisation, the issue must be confronted of "who can create a contract with another?" (Rousseau, 1995) and "exactly who constitutes 'the organization' as a party to the ... contract?" (Arnold, 1996). Rousseau answers the first question broadly: "From the vantage point of a psychological contract, any person who conveys some form of future commitment to another person is potentially a contract maker. Organizations become party to psychological contracts as principals who directly express their own terms or through agents who represent them." but Arnold foresees potential difficulties developing over time: "One constituency, or even one person, may be responsible for

defining [or failing to define] the mutual expectations at the recruitment stage, while other constituencies or other persons may subsequently be responsible for meeting the expectations of an individual or of the original recruiter."

Rousseau (1995) also argues that psychological contracts "have the power of self-fulfilling prophecies: They can create the future. People who make and keep their commitments can anticipate and plan because their actions are more readily specified and predictable both to others as well as to themselves." However, the rational element of predictability is not the only consideration in the concept of the self-fulfilling prophesy. The power of one party's expectations has been shown in experiments to exercise very tangible influence over the behaviour of other parties. Rosenthal and colleagues (Rosenthal and Jacobsen, 1968) found, initially, that identical groups of rats produced different levels of performance in experiments depending on what the experimenters had been told about them. They extended their research to school children, randomly choosing one child in five and informing teachers that the selected children were "academic spurters". The selected children were found after a year to have added twenty-two points to their IQs. Wheatley (1994) applies this principle to the organisational setting: "It is common to speak of self-fulfilling prophecies and the impact these have on the people we manage. If a manager is told that a new trainee is particularly gifted, that manager will see genius emerging from the trainee's mouth even in obscure statements. But if the manager is told that his or her new hire is a bit slow on the uptake, the manager will interpret a brilliant idea as a sure sign of sloppy thinking or obfuscation".

Kanter (1977) refers to the impact of opportunity in organisations. She describes how "the anointed" - high fliers in organisations, progress because others expect them to do well, and place positive interpretations on their actions. They are given enhanced opportunities and increased resources, and are observed in the expectation that they will succeed - which they often do.

Rousseau (1995) outlines some "basic social findings relevant to contracts". The first of these is "*Voluntariness*: No one can be forced to make a contract. Commitments must be freely made. Voluntariness promotes contract fulfilment". This is also regarded as a key attribute of contracts by Makin, Cooper and Cox (1996), who argue that "they are also characterized by being, in theory at least, negotiable and entered into quite freely". This is a vital aspect, indeed a *sine qua non*, of any

contract: "Contracts arise when people believe themselves to have choice in their dealings with others. Commitments obtained by coercion are not legally binding Contracts are made when we surrender some of our freedom from restrictions in exchange for a similar surrender by another. But by giving up something voluntarily, each gets more than might be possible otherwise" (Rousseau, 1995).

Rousseau defines other attributes of contracts as:

"Incompleteness: Due to bounded rationality, it is virtually impossible to spell out all details at the time a contract is created. People fill in the blanks along the way, and they sometimes do so inconsistently.

Reliance losses: Because contracts are created to benefit their parties, changes can create losses. Contract-related activities focus largely on reducing losses.

Automatic processes: Once contracts are established, they create enduring mental models that resist change. Mental models can actually keep people from noticing changes that do occur."

If it is accepted that psychological contracts do legitimately qualify as contracts within the broad meaning of the word, some examination is required of the process by which they become established in the organisational setting. Rousseau (1995) observes two sets of processes at work here; firstly, "external messages and social cues [offering expressions and interpretations of the firm's future intent]" and secondly "individual cognitions and predispositions [what messages she receives, her interpretations, and her own personal style of processing this information]". Because "the ecology of contracts means that all behavior is relative to the setting in which it occurs" these processes are governed, or heavily influenced by context. "Promise and commitment have no universal meaning but take on a character influenced to a great extent by the setting in which they occur" (Rousseau, 1995). This is regarded as highly significant by Makin, Cooper and Cox (1996): "situation appears to have far more influence over people's behaviour than does their personality. Similarly with attitudes; people's attitudes tend to be determined to a large extent by their experiences. This is a fairly positive conclusion from the organization's point of view. If behaviour is influenced, and attitudes formed, by experiences then they can be changed, for better or worse, by the organization's actions.

Of particular importance will be the roles that the organization requires people to fill, and the norms within which it operates. Indeed ... the psychological contract is largely concerned with

these normative factors - how people expect to be treated. In particular, important aspects of organizational commitment are influenced by the extent to which people's expectations are met, especially during the early stages of their time with the organization."

The psychological contract is thus regarded as a developing product of interaction, which is "not made once but rather it is revised throughout the employee's tenure in the organization" (Robinson and Rousseau, 1994), rather than a fixed, referenceable agreement.

"Psychological contracts differ from employment contracts because they focus upon a dynamic relationship that defines the employees' psychological involvement with their employer. The actions of both parties mutually influence the psychological contract. For example, high company expectations about what employees should contribute to the company can produce increased individual performance: when individuals perform at a high level, they come to expect more than just a paycheck. They may also expect job security, respectful treatment, and challenging jobs and training that will help them develop and grow" (Kolb, Rubin and Osland, 1995).

Makin, Cooper and Cox (1996) believe that "work in organizations would become more effective if the psychological contract was clarified and agreed in much the same way as is the legal contract". This is because "a key feature of the psychological contract is that the individual voluntarily assents to make and accept certain promises as he or she understands them. It is what the individual believes he or she has agreed to, not what that person intends, that makes the contract. ... Typically, two people have somewhat different interpretations of terms Nonetheless, in each individual's psychological contract there is a *perception* of agreement and mutuality, if not agreement in fact" (Rousseau, 1995). "Each party believes that both parties have made promises and both parties have accepted the same contract terms. However, this does not necessarily mean that both parties share a common *understanding* of all contract terms" (Robinson and Rousseau, 1994).

Clearly, different understandings by the parties involved have the potential to create conflicts and resentments when expectations are not fulfilled. The reduction of these discrepancies of perception by "creating a normative contract is part of developing a stable culture" (Rousseau, 1995). This allows employees to make reasonable predictions about the nature of the exchange in which they are to participate: "The choices people make in taking a job or planning their retirement, purchasing a

product, or commissioning a service all involve some understanding of promises made by employers, product makers, and service givers. Nonetheless, it's common to think that corporate turmoil and economic competition have made loyalty, trust and commitment things of the past. Employees are told to 'pack their own parachute' ... and corporate attorneys advise their clients to avoid making any statements that might be construed as a promise of long-term employment. Yet the movement toward strong corporate cultures and escalating interdependence belies claims of contract avoidance" (Rousseau, 1995).

Rousseau asks "what leads individuals to interpret organizational actions as promissory?" and "how can organizations frame their actions so that employees will understand what is intended or promised?" She identifies "overt statements" and "expression of organizational policy" such as "manuals, handbooks, compensation systems, and other personnel/human resource-related structures" but also "*observation* of treatment of others perceived as party to the same deal" and "*social constructions* - references to history or reputation" as contributing to the perceptions formed by individuals. She argues that

"a basic concern with encoding events as promissory is whether the individual receives and recognizes a message. For individuals to attribute a credible or intended promise requires that the contract maker

1. be perceived as having power, authority, or capacity to make that commitment,
2. operate in a context where promise making is deemed appropriate,
3. behave in ways consistent with the commitment made."

(Rousseau, 1995).

Kessler and Undy (1996) raise doubts about the capacity of managements to deliver their side of the bargain in current circumstances: "Employees trust and identification with the organisation are predicated upon reciprocity and yet managerial inability to control the external environment which threatens employment raises questions about their ability to deliver their side of the psychological contract. This in turn raises questions about organisations' ability to achieve key objectives related to product and service delivery." Hallier and Lyon (1996) identify loyalty and flexibility as employers' requirements of employees as part of the contract, to which Guest et al (1996) and others would add working harder, or at least longer, than the formal contract of employment demands. In return, employers provided security: "In the past,

the cost to the employer ... was relatively high job security for employees. In particular, commitment from managers often required superior employment protection, planned career opportunities and high levels of pay. But his 'psychological contract' is now under threat as changes within the economy and organisational culture makes managers' jobs less secure" (Hallier and Lyon, 1996).

Guest et al identified a number of reasons why employees would work hours beyond those required by their formal contracts, which showed that the overwhelming reason was "feel obliged in order to get the work done" cited by 57% of respondents. This suggests an acceptance by employees of inadequate staffing levels, but apparently direct concerns about losing jobs if the extra work was not done were cited by only 3% of respondents. Kessler and Undy ask "will employers increasingly see employees as no more than temporary stakeholders in their success, yet require no holding back of effort, initiative or commitment?" implying a one-sided intention to honour psychological contracts.

Makin, Cooper and Cox (1996) point out that, whilst "the formal contract of employment is, generally speaking, fairly stable" the psychological contract is in a "constant state of change and revision; ... virtually any change in the way work is organized, either physically or socially, will have an impact on it". Also, the "implicit mutual expectations and obligations" covered by the psychological contract tend to spread out to "cover more and more of the relationship between the employee and the organization" as people spend longer with an organization. Robinson, Kaatz and Rousseau (in Robinson and Rousseau, 1994) examined the ways in which psychological contracts change over time. "They found that during the first two years of employment, employees came to perceive that they owed less to their employer while their employer owed them more".

If an unwritten, and often unspoken, agreement is subject to change in these ways, then, as Arnold (1996) maintains, "clearly, the implicit nature of the psychological contract leaves scope for interpretation concerning whether or not it has been broken". Rousseau (1995) claims that "we know a contract has been kept when neither party is surprised by the behavior of the other". Conversely, "a violation occurs when one party in a relationship perceives another to have failed to fulfil promised obligation[s]" (Robinson and Rousseau, 1994). Robinson and Rousseau go on to argue that "since contracts emerge under assumptions of good faith and fair dealing ... and involve reliance by

both parties on the promises of the other, violations can lead to serious consequences for the parties involved."

Rousseau (1995) explores the topic of psychological contract violations in more detail:

"It is our thesis that experienced violation occurs when failure to keep a commitment *injures* or causes damages that the contract was designed to avoid. Failure to keep commitments can be based on opportunism, negligence, or failure to cooperate. *Opportunism* is active, self-serving behavior by one party at the expense of another [eg, quitting an employer with whom there was an agreement to stay]. *Negligence* is more passive than opportunism, involving failure to perform specified responsibilities ... In situations where the long-term nature of the relationship between the parties makes exit costly, violations arise not just because of specific terms but from breaches of good faith that jeopardize the relationship itself. Such breaches of good faith are *failure to cooperate*. Based on norms regarding good faith and fair dealing, failure to cooperate involves behavior that undermines the ability of the parties to maintain their relationship".

Longitudinal research by Rousseau (in Robinson and Rousseau, 1994) on MBA graduates found that 55% reported that the employer had violated the psychological contract in some way, predominantly in respect of training/development, compensation, and promotion, although "this study focused solely on MBA graduates and hence, care must be taken when generalizing these results to other employee populations". Rousseau regards these results as important because she found that "careerism moderated the relationship between violations and trust", which suggests that "the employees whose trust was most affected by violation were those planning to build a career with their employer; employees whose trust the firm should value most".

Rousseau (1995) lists the circumstances in which contract violations are most likely to occur: "There is a history of conflict and low trust in the relationship ... Social distance exists between the parties such that one does not understand the perspective of the other. An external pattern of violations exists [eg, an era of business retrenchment]. Incentives to breach contracts are very high or perpetrators perceive themselves to have no alternatives [eg, organizational crises]. One party places little value in the relationship [eg, alternative parties are relatively available and there are few sunk costs". Rousseau identifies "the factors that reduce experienced violation" as including "strong relationships ... frequent interactions [and] sacrifice and other previous investments that serve to bind parties to each

other." This is confirmed by Makin, Cooper and Cox (1996) who argue that "long-standing and close relationships can tolerate considerable periods when one partner is continually giving, while the other is only receiving. [In fact, one way to tell when a relationship is under stress is when the time scale over which the 'balance sheet' is balanced, shortens. In such situations the participants begin to expect almost immediate repayment of favours done ...]." Incremental changes may pass almost unnoticed but over time have the power to alter perceptions of the way that the psychological contract is being fulfilled or violated. Kessler and Undy (1996) conclude from the IPD survey by Harris and Templeton College that

"working harder did not in many cases directly produce a commensurate increase in pay, although it may, of course, have affected job security. So it seems reasonable to assume that the above general experience of work probably affected employees' psychological contracts adversely, rather than positively. If expectations between employee and employer as to what constituted a fair effort-reward exchange had been in equilibrium at the time of the initial contract, or even five years previously, it is fairly certain that, for most employees, it had moved out of equilibrium by the time of our survey and reduced employees' collective power, making it difficult for them to resist such changes. Therefore increased powerlessness ran parallel with less favourable terms of employment so damaging the psychological contract."

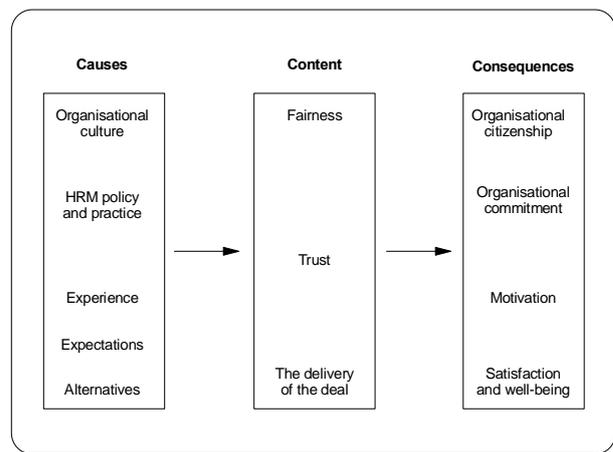
Hallier and Lyon (1996) report feelings of bitterness on the part of managers declared redundant, who "found themselves reappraising their long-standing relationship with the company. For many, career and company were one and the same. They had worked under pressure for long hours and had sometimes travelled extensively in return for a salary, career progress, employment security and esteem. Arnold (1966) believes that "in fact, it looks as if individuals try quite hard to convince themselves that their employers have acted unreasonably and dishonourably. This highlights the possibility [or probability] that not only is the content of the psychological contract in the eye of the beholder, but so is the detection of its violation and the interpretation of the causes of violation." and cites research evidence from several sources to argue that "employees are not impressed by what they see as the arbitrary and often unjust way in which changes have been made. Their response is to get out, get safe [by keeping their head down] or get even [by psychological withdrawal or even sabotage]. None of these strategies is likely to serve organizational interests, particularly as the

limits of cost-cutting are reached and the need for innovation and team-working becomes apparent."

Robinson and Rousseau make a distinction between contract violations and mere "unfulfilled expectations", arguing that responses are likely to be more intense in the former case than in the latter, largely because additional factors are present: "The intensity of the reaction is attributable not only to unmet expectations of specific rewards or benefits, but also to more general beliefs about respect for persons, codes of conduct, and other patterns of behavior associated with relationships." Arnold (1966), though, "is not aware of any research that has directly tested the added impact of broken [or indeed kept] promises over and above the more neutral met and unmet expectations".

Several writers argue that the state of the psychological contract has direct implications for organisational performance. Guest et al (1996) found that "a positive psychological contract is strongly linked to higher commitment to the organisation, higher employee satisfaction and better employment relations" and is therefore "worth taking seriously". Kessler and Undy (1996), expressing "significant doubts about the health of the psychological contract" on the basis of their research, conclude that "the breakdown in reciprocity highlighted has clear implications for staff morale and commitment which in turn raises question marks about the ability of organisations to pursue key objectives related to product and service delivery effectively."

On the basis of the Harris survey [discussed above] Guest et al (1996) believe that "the core of the psychological contract can be measured in terms of fairness of treatment, trust, and the extent to which the implicit deal or contract, reflected in a set of mutual obligations and in some sort of exchange, is perceived to be delivered". They have produced a model of the associations, arrived at through multivariate statistical analysis, between the "causes, content and consequences" of a generic psychological contract. They acknowledge that "although the model implies causes and consequences, in a cross-sectional study of this sort we cannot 'prove' cause and effect - we can only show associations".



Organisational Rites (Guest et al, 1996)

The inclusion of "motivation" amongst the "consequences" of the psychological contract is tentative. Guest et al admit that the Harris survey was "less successful in finding any link between the psychological contract and motivation" and suggest that "this may be because motivation is very difficult to measure in this context". The assumption that the two concepts are, in fact, linked is implicit in an *Economist* article:

"Unless [corporations] find new ways to motivate those who survived the repeated purges of the professional ranks, most big firms may never achieve the gains that are supposed to justify such wrenching changes. That is because they are tearing up the implicit contract they have always had with managers and other professionals: security of tenure in return for dogged loyalty ... many companies have given no indication of what the new psychological contract is" (*The Economist* 25-1-93, quoted in Hope and Hendry, 1995).

Whether or not it is possible to establish supportable correlations between aspects of the psychological contract and specific dimensions of organisational performance, it is difficult to refute Makin, Cooper and Cox's (1996) belief that culture and the psychological contract existing within the organization are inextricably linked. "Indeed they are so closely related that it is impossible to say which one causes the other, since the culture determines how people relate, and how they relate determines what sort of contract exists between them."

Culture change

Schein (1985) asks "are we aware that we may be suggesting something very drastic when we say 'let's change the culture?'" According to Hope and Hendry (1994) "the fact that cultural change is fraught with difficulties should not really be

surprising when we think what culture is". They go on to make comparisons between culture and personality, and argue that "organisational culture is a product of an organisation's history, of its accumulated experiences, and of the lessons it has learnt in seeking to survive and prosper". Because of this, change can only be cumulative: "We can add to our experience, but we cannot subtract from it and, while new experiences may modify our values and beliefs, they cannot remove the effects of those past experiences through which the culture of the organisation, or the character of the individual, were formed." Kilman et al, too, believe that "the most penetrating definitions of culture emphasize the deepest level of human nature or at least refer to shared but unstated assumptions, ideologies, philosophies, and values. Such definitions of culture also imply that it is very difficult to create culture change in any complex organization."

Baron and Walters (1994) remind us of the "polarisation of views in the literature about culture - something which IS the organisation, or something an organisation HAS." In the former perspective, which "holds that culture is the rationale of organisational existence" culture could not be controlled, but from the latter, which "holds that culture is something which is acquired with the process of organisational development ... it becomes a powerful organisational tool". Baron and Walters take the view that "from the evidence studied it can be concluded that culture is manageable through the manipulation of the determinants of culture". In order to do this "organisations must ... not only be able to identify the determinants of culture, but also have the capacity to understand the way in which they interact with each other". This might invoke Meek's (1988) criticism of the "tendency for some researchers to treat organizational culture as a 'variable' that can be controlled and manipulated like any other organizational variable". Meek argues that "the researcher adopting the social emergent view of culture cannot suggest how it can be created or destroyed; the researcher can only attempt to record and examine how culture may be altered in the process of social reproduction" but slightly weakens his argument with the qualification: "culture *as a whole* cannot be manipulated, turned on and off, although it needs to be recognized that some are in a better position than others to attempt to intentionally influence aspects of it" which may not be so very far from Baron and Walters' position. It is certainly close to Schein's (1985) balanced consideration of the issue:

"Even if we learn how to decipher organizational culture, it is not at all clear that full knowledge of our own culture will help us change it. Sometimes self-awareness is a source of anxiety and discouragement, and sometimes self-awareness destroys the mystique of what we have. On the other hand, lack of insight into our own culture leaves us vulnerable to forces of evolution and change which we may not understand and which we may have difficulty controlling."

Morgan (1986) takes what is essentially a similar view:

"Corporate culture rests in distinctive capacities and incapacities which, as a result of the evolution of the culture, have become defining features of the way the organization works by being built into the attitudes and approaches of its employees. Managers can influence the evolution of culture by being aware of the symbolic consequences of their actions and by attempting to foster desired values, but they can never control culture in the sense that many management writers advocate. The holographic diffusion of culture means that it pervades activity in a way that is not amenable to direct control by any single group of individuals."

Hassard and Sharifi (1989) argue that "when executives say they want culture change they are generally saying that they want people to *do* things differently; they want tangible, behavioural evidence of change". Hassard and Sharifi maintain that this will only happen if underlying "covert and implicit spheres", notably assumptions and values, undergo change. Morgan (1986) maintains that "effective change also depends on changes in the images and values that are to guide action". This is because "attitudes and values that provide a recipe for success in one situation can prove a positive hindrance in another". Meek (1988) also believes that "the problem is one of changing people's values, norms and attitudes so that they make the 'right' and necessary contribution to the healthy collective 'culture' despite [or in ignorance of] any inherent conflict of individual and group interest or the way in which power, authority and control are structured in the organization".

Payne (1991), however, believes that visible changes may occur unaccompanied by changes in the underlying levels: "Some writers distinguish between the explicit culture, by which they mean the typical and distinctive patterns of behaviour of a people and the typical and distinctive artefacts they produce [artefacts including buildings art, literature and so on], and the implicit culture, which refers to the total set of cultural beliefs, values, norms and premises which underlie and determine the observed regularities in behaviour making up the explicit culture". There is some practical purpose in

distinguishing between explicit and implicit culture, as it helps resolve debates about whether it is possible to manipulate cultural change. A programme aimed at improving customer satisfaction and total quality may well succeed in changing attitudes and behaviour or explicit culture, but it will not necessarily mean a change in implicit culture. Whether this happens or not depends on how strongly enduring the culture is".

Kilman et al (1985) share this view, suggesting that "defining culture primarily as behavioral norms allows managers and consultants who to identify, assess, and change corporate cultures - at least at that level". They argue that, "although the deeper approaches initially seem to be more penetrating, in practice they seem to be impractical" and recommend "more superficial approaches" which, although ... [they] at first appear to disregard the more fundamental bases of culture, in practice they appear to offer some specific handles for managing culture". Warren Wilhelm (1992), head of organization and management development for Amoco Corporation, believes that "the most effective way to enhance organizational capability is by helping employees to learn the new behaviors set against the existing corporate culture background". He advocates the modelling by senior executives of "the behavior they wish employees to emulate". If the senior managers in the organisation set the right "tone", then the desired behaviours will "percolate through the organization". Hope and Hendry (1995) found from their research that that "the change initiatives that have concentrated on behaviour have been far more successful than the initiatives concerned with inculcating shared values".

The prevailing view, therefore, is that managers cannot hope to control or change the culture of their organisation directly, but it may well be possible to influence overt behaviours, and, because culture is the product of experiences it may be possible to exercise some control over some of those experiences, and thus to influence the way culture develops. Schein (1985) seems to make common ground with the chaos theorists when he ponders how this might happen in practice.

"When we are dealing with social systems [as opposed to biological units], there is no such thing as spontaneous change or mutation. There are no cosmic rays hitting the social genes to produce unpredictable changes. There is always someone inside or outside the system who has a motive to make something happen. The actual outcome may be a complex interaction of the forces unleashed by the different intentions of different actors, but the

outcome will never be random and unpredictable. The only difficulty may be that the events and interactions are so complex that it is not practical to try to unravel them."

Other influences are identified by Kotter and Heskett (1992): "Cultures can be very stable over time, but they are never static. Crises sometimes force a group to re-evaluate some values or set of practices. New challenges can lead to the creation of new ways of doing things. Turnover of key members, rapid assimilation of new employees, diversification into very different businesses and geographical expansion can all weaken or change a culture."

Several writers take up the theme of the dynamic nature of culture. Meek (1988) comments that "people do not just passively absorb meanings and symbols; they produce and reproduce culture, and in the process of reproducing it, they may transform it". Hassard and Sharifi (1989) note that "corporate cultures are constructed socially and are re-constructed socially. Assumptions and values are not only learned, they are also re-learned." They believe that "we should not ... become too pessimistic about cultural change, for we should remember that organisations are dynamic phenomena: organisations are structures locked in a state of process". Egan (1994) would support this. He maintains unequivocally that "culture can be changed. There are too many companies who have changed or are currently changing their cultures to think otherwise."

Culture change does not, however, occur quickly. Baron and Walters (1994) found that "even in the exemplar companies highlighted in the literature, the process of culture change appears to be slow and painstaking" and they criticise the "management gurus", whose writing "sometimes suggests that a kind of cataclysmic shift will occur when all the components of corporate culture are fitted into the right boxes and that this will result in a well-oiled organisation populated by free-thinking, self-motivated and high-value-added employees."

Meyerson and Martin (1987), arguing that "organizational cultures are resistant to change, incrementally adaptive, and continually in flux", seek to explain "these seemingly contradictory statements about cultural change" by re-asserting "the premise that cultures are socially constructed realities ... and, as such, the definition of what culture is and *how cultures change* depends on how one perceives and enacts culture". Schein (1985) argues in this respect that "both structure and attitude are, in a sense, artefacts of the culture;

and if one thinks of changing the artefacts without confronting the underlying assumptions, one will not obtain successful change". Partly for this reason, Hassard and Sharifi (1989) believe that "the deepest layers of culture" can only be managed [and' by implication, changed] through participative methods, because "top management, with or without the help of consultants, cannot dictate changes in assumptions about human nature and the business environment, they can only set appropriate parameters".

Egan (1994) acknowledges that

"it is true that the stronger the assumptions, beliefs, values and norms that drive patterns of behaviour, and the larger and more complicated the institution, the more difficult it is to get at and change the culture. The trick is to have a wholehearted culture-change strategy and bang away at it. The goal of culture change is not a full personality transformation. The goal is sustainable patterns of behaviour change that serve the business in key areas. The goal is to affect enough change to make a difference".

and Ogbona (1992) warns that "if we accept that culture can be changed, reliance on techniques which guarantee *permanent* or deep-rooted change may itself become an impediment to future change". Payne (1991) agrees: "I return to the earlier point that strong cultures need to build into their strength the capacity to be adaptable, to look for change and new opportunities. If they fail to do this, their own strength will ultimately become a weakness and cultural collapse a likely outcome". Wilhelm (1992) believes that "change takes several [three to ten] years and assumes constant and massive reinforcement, without which the changes will not occur at all". He argues that "impatience with behavioral change must be guarded against" and advocates the strategy of "rewarding only *desired* behavior" in order "gradually [to] cause the extinction of undesired behavior". Kilman et al (1985) support this advice with a warning against reward systems that encourage "old behaviours" in conflict with the new behaviours required to sustain a changed culture.

There is a strong assumption in much of this advice that culture change is being planned and implemented according to some grand strategy. This assumption implies a degree of far-sighted leadership, an implication which is confirmed by Kotter and Heskett (1992): "In the cases of successful change that we have studied, we have always found one or two unusually capable leaders on top. These individuals had track records for producing dramatic results. They also combined the

'outsider's' objective view of their firms with the credibility and power base usually associated with insiders".

In the ten organisations studied by Kotter and Heskett "major change began after an individual who already had a track record for leadership was appointed to head an organization". Ogbona (1992) argues that this *change* of leadership is the key factor: "changing culture requires change in leadership at the top". Ogbona argues that the different perspective of the newcomer, which was unavailable to the outgoing leaders, regardless of their quality, is what makes change possible. This does, however, present another obstacle: "the new leaders must be distant enough so as not to see things through the eyes of their predecessors, yet they must understand the organisation and its politics well enough to be able to develop alternative directions. This paradox sums up the difficulty in changing culture." Kotter and Heskett (1992) agree that the new leader "must have both an outsider's openness to new ideas and an insider's power base". Echoing Wilhelm's (1992) advice on reinforcement, Kotter and Heskett assert that

"This leader must create a perceived need for change even if most people believe all is well. ... He must create and communicate effectively a new vision and set of strategies, and then behave accordingly on a daily basis. He must motivate an increasingly large group of people to help with this leadership effort. These people must find hundreds or thousands of opportunities to influence behavior. And the resulting actions on the part of a growing group of people must produce positive results; if they do not, the whole effort loses credibility."

It is not clear from Kotter and Heskett's research whether for them the change itself was the deciding factor, or the personal qualities of the new leaders which had been lacking in their predecessors. Attachment to the status quo is, however, a major impediment to change, as Burnes (1992) points out: "The presence of managers who are deeply imbued with, and committed to, an organisation's existing culture is one of the main reasons why there is considerable debate about whether something as deep-seated as culture can be changed, at least in the short term." Burnes' agreement with the principle of continual reinforcement of behaviours consistent with the desired new culture characteristics is implicit: "it can be argued that the core elements of culture are embedded deep in people's consciousness, and cannot easily or quickly be changed. In an organisational context, changing the deep-seated values and beliefs that govern the working of an

entire group of people must, of necessity, require the conviction, commitment and active support of senior management."

Several writers provide guidance on the processes by which an organisation's culture can be changed. Hampden-Turner's (1990) suggestion is quite concise: "It is possible to intervene to change your corporate culture. The method involves a cumulative investigation into values, myths and rituals, using interviewing and group discussion. This process brings you to a clear understanding of the cultural paradigms of how your corporation functions, and how it learns from its environment. At this point one can shift the parameters of business away from unilateral manipulation of objects into multilateral sympathetic systems that allow rapid innovation and feedback."

Schein (1985) provides perhaps the most comprehensive taxonomy of "change mechanisms", documenting eleven different processes with comment about each:

"Change mechanism 1: Natural Evolution ...

If the organization is not under too much external stress and if the founder or founding family is around for a long time, the culture simply evolves by assimilating what works best over the years.

... General evolution toward the next historical stage of development involves diversification, complexity, higher levels of differentiation and integration, and creative syntheses into new and higher-level forms.

... Specific evolution involves the adaptation of specific parts of the organization to their particular environments. Thus, a high-technology company will develop highly refined R & D skills, while a consumer products company ... will develop highly refined marketing skills."

"Change mechanism 2: Self-Guided Evolution Through Organizational Therapy ...

Therapy that operates through creating self-insight permits cognitive redefinition to occur and thereby can produce dramatic changes. Outsiders probably will be needed to [1] unfreeze the organization, [2] provide psychological safety, [3] help to analyze the present defensive nature of the culture, [4] reflect back to key people in the organization how the culture seems to be operating, and [5] help the process of cognitive redefinition."

"Change mechanism 3: Managed Evolution Through Hybrids ...

One process is to selectively fill key positions with 'hybrids' - that is, 'insiders' who have grown up in the culture and are accepted but whose personal assumptions are somewhat different from the mainstream. ... For this mechanism to work, some of the most senior leaders of the company must have

insight into what is missing, which implies that they first must get somewhat outside their own culture through a therapeutic process."

"Change mechanism 4: Managed 'Revolution' Through Outsiders ...

A young and growing company may select outsiders to fill key positions, on the grounds that the organization needs to be more 'professionally' managed - that is, needs to bring in modern management tools that the founder did not have."

"Change mechanism 5: Planned Change and Organization Development ...

"Much of the work of organization development practitioners deals with the knitting together of diverse and warring subcultures, helping the dominant coalition or the managerial client systems figure out how to integrate constructively the multiple agendas of different groups. ... The various conflicts that develop require the creation of interventions that permit mutual insight and the development of commitment to superordinate company goals."

"Change mechanism 6: Technological Seduction ...

At one extreme this category includes the diffusion of technological innovation and various forms of acculturation where new technologies have subtly changed entire cultures. At the other extreme, it includes the deliberate, managed introduction of specific technologies for the sake of seducing organization members into new behavior, which will, in turn, require them to reexamine their present culture and possibly adopt new values, beliefs, and assumptions."

Change mechanism 7: Change Through Scandal, Explosion of Myths ...

As a company matures, it develops a positive ideology and a set of myths about how it operates, what Argyris & Schon (1974, 178) have labeled 'espoused theories'; at the same time, it continues to operate by other assumptions, which they label 'theories-in-use' and which more accurately reflect what actually goes on."

"Change mechanism 8: Incrementalism ...

Certain kinds of changes can be produced best if one patiently but consistently uses every opportunity to influence the organization in a certain direction."

"Change mechanism 9: Coercive Persuasion ...

if one has no exit option, one is subject to strong unfreezing forces, which, sooner or later, will motivate one to find new information that will permit cognitive redefinition to occur."

Schein's "Change mechanism 9" is based on the study of "brainwashed" prisoners from the Korean war. Schein explains that consistently challenging old assumptions makes them difficult to sustain, whilst

consistently being supportive and rewarding any evidence of movement towards new assumptions provides some psychological safety.

"Change mechanism 10: Turnaround ...

Turnarounds usually require the involvement of all organization members, so that the dysfunctional elements of the old culture become clearly visible to everyone. The process of developing new assumptions then is a process of cognitive redefinition through teaching, coaching, changing the structure and processes where necessary, consistently paying attention to and rewarding evidence of learning the new ways, creating new slogans, stories, myths, and rituals, and in other ways coercing people into at least new behavior. All the other mechanisms described earlier may come into play, but it is willingness to coerce that is the key to turnarounds."

"Change mechanism 11: Reorganization and Rebirth ...

Little is known about this process ... If one destroys physically the group that is the carrier of a given culture, by definition that culture is destroyed and whatever new group begins to function builds its own new culture. This process is traumatic and therefore not typically used as a deliberate strategy, but it may be relevant if economic survival is at stake."

(Schein, 1985).

Notwithstanding the copious advice available about how to change culture, and the assertions of Hassard and Sharifi (1989) and Egan (1994) that planned culture change for strategic purposes is possible, there is a note of pessimism in the literature about the subject. Trice and Beyer (1985) observe that "it now seems clear that if cultures can be and are deliberately changed, doing so requires a gradual and deliberate process". Baron and Walters (1994) observe: "From the earlier research commissioned by the IPM it is clear that, whilst managers are becoming adept at recognising the strategic importance of culture and even at mapping existing culture within their organisation, success at bringing about sustainable, positive changes in culture has been limited." whilst Manning (1990) takes an even more jaundiced view: "after countless research studies there's precious little evidence that it can be manipulated, no clear guidelines showing [how] to do it, and no real proof that a new culture leads to better business results"

Organisational culture: a summary

Organisational or corporate culture is viewed by many writers as analogous to individual personality.

In its observable manifestations it represents distinctive patterns of behaviour - often expressed as "the way we do things here" - which characterise specific organisations and distinguish them in particular ways from otherwise similar organisations. These manifestations include such things as idiosyncratic language, stories, ceremonies and norms of behaviour.

These behavioural characteristics are shaped and determined by underlying values, beliefs and attitudes which are shared among members of the organisation. These in turn rest upon sets of assumptions. Members of the organisation may be unaware of the specific constituents of this complex system of assumptions, values, beliefs and attitudes, which are frequently unspoken and unrecorded, and are consequently not readily available for question or test.

Culture develops through social learning mechanisms. Actions and behaviours which are associated with favourable outcomes tend to be repeated, and eventually become behavioural norms. Underlying assumptions become established in a similar way.

Much of the research into culture has been based on the study of small groups. This gives rise to the criticism that the interactions in a larger organisation are exponentially more complex and generalisations from the small group scenario may be of limited validity. It is also the case that multiple cultures may exist within any large organisation, each with its own system of assumptions, values, beliefs and attitudes. These sub-cultures may be in conflict or competition with each other, and may not support the aims of the senior management of the organisation.

Individuals bring with them to the organisational setting the values and assumptions of other cultural systems to which they belong, such as ethnic, linguistic, class or professional contexts, and these contribute to the development of the organisational culture. The interaction between the individual and his or her organisation is governed by a set of mutual expectations, commonly called the psychological contract. This "contract" is unwritten and often defined only by learning mechanisms, and is therefore subject to different interpretations by the parties involved. The psychological contract is both a product of the prevailing culture, as influenced by individual contributing factors, and a determinant of it.

Because cultures become established through a process of development, it follows that they are not static, but continue to develop under the same

pattern of influences. This gives rise to the hope that they can be changed according to some strategy or plan devised by managers. The literature shows disagreement about whether such change can be affected at the behavioural level, by influencing what organisation members *do*, or only at the underlying level, by influencing what members *feel* or believe. There is some pessimism in the literature about the efficacy of culture change initiatives, but general agreement that any such change is likely to be slow and very demanding of the time and attention of management

Managers might wish to change their organisation's culture because certain types of culture have been identified in the past as contributing to

organisational success. The literature contains a variety of taxonomies of culture types. Association of specific types with performance is, however, somewhat discredited. So-called "strong" cultures, which is usually a synonym for highly homogenous or strongly shared culture, have been shown to be associated with high performance. However, the characteristic of "strength" in this sense has also been shown to lead to inflexibility and reduced ability to respond to the need for change. Success is therefore seen to be the product of interaction between cultural and environmental factors, and many organisations previously designated "excellent" for this kind of reason have subsequently demonstrated reduced performance as circumstances change.

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